

天福(開曼)控股有限公司 Tenfu (Cayman) Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6868

天福



GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

CREDIT SUISSE 

 CICC
中金香港証券

 寶來證券(香港)
POLARIS SECURITIES (HONG KONG) LTD.

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

Tenfu (Cayman) Holdings Company Limited 天福（開曼）控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 208,620,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 20,862,000 Shares (subject to adjustment)
Number of International Placing Shares	: 187,758,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$6.80 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.10 per Share
Stock code	: 6868

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section entitled "Documents Delivered and Available for Inspection" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on or around Tuesday, 20 September 2011 or such later date as may be agreed by the Joint Global Coordinators (on behalf of the Underwriters) and us, but in any event not later than Thursday, 22 September 2011. The Offer Price will not be more than HK\$6.80 per Offer Share and is currently expected to be not less than HK\$4.80 per Offer Share unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum offer price of HK\$6.80 for each Offer Share together with a brokerage of 1%, a SFC transaction levy of 0.003% and a Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$6.80.

The Joint Global Coordinators (on behalf of the Underwriters), with our consent, may reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered pursuant to the Global Offering at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, a notice of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. Such notice will also be available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.tenfu.com. Further details are set out in the section entitled "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and us on or before Thursday, 22 September 2011, the Global Offering will not proceed and will lapse.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from the registration requirements of the U.S. Securities Act. The Offer Shares are being sold outside the United States in offshore transactions in accordance with Rule 903 or 904 of Regulation S.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section entitled "Risk Factors" in this prospectus.

Pursuant to the provisions contained in the Hong Kong Underwriting Agreement, the Joint Global Coordinators, (on behalf of the Underwriters), have the right in certain circumstances, subject to the sole opinion of the Joint Global Coordinators, to terminate the obligations of the Underwriters under the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the day on which dealings in the Shares first commence on The Stock Exchange of Hong Kong Limited. Further details of the terms of such provisions are set out in the section entitled "Underwriting" in this prospectus. It is important that you refer to that section for further details.

14 September 2011

EXPECTED TIMETABLE⁽¹⁾

Application lists open ⁽²⁾	11:45 a.m. on Monday, 19 September 2011
Latest time for lodging white and yellow Application Forms	12:00 noon on Monday, 19 September 2011
Latest time for giving electronic application instructions to HKSCC ⁽³⁾	12:00 noon on Monday, 19 September 2011
Latest time to complete electronic applications under White Form eIPO service through the designated website www.eipo.com.hk ⁽⁴⁾	11:30 a.m. on Monday, 19 September 2011
Latest time to complete payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s).	12:00 noon on Monday, 19 September 2011
Application lists close	12:00 noon on Monday, 19 September 2011
Expected Price Determination Date ⁽⁵⁾	Tuesday, 20 September 2011
Announcement of	
• the level of applications in the Hong Kong Public Offer;	
• the level of indications of interest in the International Placing; and	
• the basis of allotment of the Hong Kong Offer Shares	
to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on or before	Friday, 23 September 2011
Results of allocations in the Hong Kong Public Offer will be available at www.iporesults.com.hk with a “search by ID” function from	Friday, 23 September 2011
Results of allocations in the Hong Kong Public Offer (with successful applicants’ identification document numbers, where appropriate) to be available through a variety of channels (please see paragraph headed “ Publication of Results ” in the section entitled “How to Apply for Hong Kong Offer Shares”) from	Friday, 23 September 2011
Despatch of Share certificates on ^{(6)&(8)}	Friday, 23 September 2011
Despatch of White Form e-Refund payment instructions/refund cheques on ^{(7)&(8)}	Friday, 23 September 2011
Dealings in Shares on the Stock Exchange to commence on	Monday, 26 September 2011

Notes:

- (1) All times refer to Hong Kong local time.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 19 September 2011, the application lists will not open on that day. Please see the section entitled “How to Apply for Hong Kong Offer Shares – Effect of Bad Weather on the Opening of the Application Lists” in this prospectus. If the application lists do not open on Monday, 19 September 2011, the dates mentioned in this section entitled “Expected Timetable” may be affected. We will make a press announcement in such event.
- (3) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should see the section entitled “How to Apply for Hong Kong Offer Shares – Applying By Giving Electronic Application Instructions to HKSCC” in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

- (4) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or around Tuesday, 20 September 2011 and, in any event, not later than Thursday, 22 September 2011. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and us on or before Thursday, 22 September 2011, the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse.
- (6) Share certificates for the Offer Shares will only become valid certificates of title at 8:00 am on Monday, 26 September 2011 provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with their terms. If the Global Offering does not become unconditional or either of the Underwriting Agreements is terminated in accordance with their terms, we will make an announcement as soon as possible.
- (7) e-Refund payment instructions/Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number in the Application Forms may lead to delay in encashment of or may invalidate the refund cheque.
- (8) Applicants who have applied on **white** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offer and have indicated in their Application Forms that they wish to collect any refund cheques and Share certificates in person, may do so from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong between 9:00 a.m. to 1:00 p.m. on Friday, 23 September 2011. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to Computershare Hong Kong Investor Services Limited at the time of collection. Applicants who have applied on **yellow** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offer may collect their refund cheques, if any, in person but may not elect to collect their Share certificates which will be deposited into CCASS for the credit of their designated CCASS participants' stock accounts or CCASS investor participant stock accounts, as appropriate. The procedures for collection of refund cheques for **yellow** Application Form applicants are the same as those for **white** Application Form applicants. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section entitled "How to Apply for Hong Kong Offer Shares – Applying By Giving Electronic Application Instructions to HKSCC" in this prospectus for details. Uncollected Share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms. Further information is set out in the section entitled "How to Apply for Hong Kong Offer Shares – Despatch/Collection of Share certificates/e-Refund payment instructions/ refund cheques" in this prospectus.
- (9) Particulars of the structure of the Global Offering, including the conditions thereto, are set out in the section entitled "Structure of the Global Offering" in this prospectus.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

We have issued this prospectus solely in connection with the Hong Kong Public Offer and the Hong Kong Offer Shares, and it does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offer. No person may use this prospectus for the purpose of, and it does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. We have taken no action to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and we have taken no action to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Joint Global Coordinators, any of the Underwriters, any of their respective directors, agents, employees or advisers, or any other person or party involved in the Global Offering.

	<u>Page</u>
EXPECTED TIMETABLE	i
CONTENTS	iii
SUMMARY	1
DEFINITIONS	22
GLOSSARY	35
FORWARD-LOOKING STATEMENTS	36
RISK FACTORS	38
WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES	83
INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING	85
DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING	88
CORPORATE INFORMATION	92

CONTENTS

	<u>Page</u>
INDUSTRY OVERVIEW	94
REGULATIONS	115
HISTORY, REORGANISATION AND CORPORATE STRUCTURE	125
PRE-IPO INVESTMENTS	141
BUSINESS	146
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS	205
CONNECTED TRANSACTIONS	215
DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	223
SUBSTANTIAL SHAREHOLDERS	234
SHARE CAPITAL	236
CORNERSTONE INVESTMENT	238
FINANCIAL INFORMATION	240
FUTURE PLANS AND USE OF PROCEEDS	279
UNDERWRITING	281
STRUCTURE OF THE GLOBAL OFFERING	290
HOW TO APPLY FOR HONG KONG OFFER SHARES	298
APPENDIX I – ACCOUNTANT’S REPORT	I-1
APPENDIX II – UNAUDITED PRO FORMA FINANCIAL INFORMATION ..	II-1
APPENDIX III – PROFIT FORECAST	III-1
APPENDIX IV – PROPERTY VALUATION	IV-1
APPENDIX V – SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW	V-1
APPENDIX VI – STATUTORY AND GENERAL INFORMATION	VI-1
APPENDIX VII – DOCUMENTS DELIVERED AND AVAILABLE FOR INSPECTION	VII-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors”. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading traditional Chinese tea-product enterprise in the PRC engaged in the sale and marketing of a comprehensive range of tea products and the development of product concepts, tastes and packaging designs. Our key products are tea leaves, tea snacks and tea ware, which we sell through a nationwide network of self-owned and third-party owned retail outlets and retail points. According to a commissioned report by Euromonitor International, further details of which are set out under the section entitled “Industry Overview”, as of 31 March 2011, we had the largest sales network amongst all branded traditional Chinese tea-product companies in the PRC in terms of the number of self-owned and third-party owned retail outlets and retail points that exclusively sell our products, and our Tenfu (天福) brand has one of the highest levels of brand awareness amongst tea-product consumers in the PRC. In 2010, our branded traditional Chinese tea leaves had the largest market share in terms of retail sales value of all branded traditional Chinese tea leaves in the PRC and our Oolong tea and green tea dominated the respective market segments, according to Euromonitor International.

Our core competence lies in the sourcing, classification, sale and marketing of our branded traditional Chinese tea leaves. Our tea leaves are sourced by our team of specialist tea tasters from a network of tea farmers and tea manufacturers from renowned tea growing regions in the PRC who supply tea leaves in finished form to us according to our specifications. These tea leaves are categorised and appraised by our specialist tea tasters and packaged at our facilities, while our quality control team ensures that the tea leaves meet the consistency profile and quality standards we prescribe. Our specialist tea tasters also work with our senior management and marketing department to develop new product concepts according to consumer preferences, product trends and changes in demand. We offer over 160 varieties of tea snacks, most of which are infused with the flavour of tea leaves. Most of our tea snacks are developed by our research and development team and produced at our own facilities. As part of our business, we also sell tea ware under our own brands. Most of our tea ware are designed and manufactured by external manufacturers according to our specifications. In addition, we sell tea ware under the Lu Yu (陸羽) brand, which is owned by Lu Yu, a connected person of our Company.

We adopt a multi-brand strategy to capture different segments of the traditional Chinese tea market in the PRC. Our most popular and well-known brand is the Tenfu brand. Our Tenfu brand tea products are primarily sold in our self-owned and third-party owned retail outlets and retail points where we strive to offer a personalised tea shopping experience. We also offer a separate line of products under the Tenfu Ten Xin (天福天心), Danfeng (丹峰) and Uncle Lee (安可李) brands which are primarily sold through our concession points at hypermarkets in the PRC. We are the owner of the Tenfu Ten Xin and Uncle Lee trademarks, while the Danfeng trademark is in the process of being transferred to us.

SUMMARY

As of 31 March 2011, our tea products were sold in 1,062 retail outlets and retail points across 29 provinces, autonomous regions and municipalities in the PRC, including stores with shopfronts at street level and in shopping malls and concession counters in department stores and hypermarkets. These retail outlets and retail points were comprised of 453 self-owned and 609 dedicated third-party owned retail outlets and retail points, all of which bear the Tenfu (天福) brand name and exclusively sell our tea products and products authorised by us. To capture customers who prefer to buy tea products from hypermarkets, we acquired Xiamen Apex in January 2011. As of 31 March 2011, Xiamen Apex sold tea leaves and tea snacks under the Ten Sin, Danfeng and Uncle Lee brands through its concession points at 164 hypermarkets that were owned and operated by Independent Third Parties.

During the Track Record Period, a substantial amount of our revenue was generated from the wholesale of our tea products to third-party retailers. We commenced the restructuring of our retail sales network and began to operate our self-owned retail outlet in the PRC in October 2008. Prior to October 2008 and with a view to achieving greater operational and distribution efficiency, we divided the PRC into different regions with each region represented by regional third-party retailers. The regional third-party retailers operated their own retail outlets. Most of them also distributed our products to local third-party retailers in their regions. To better manage our business expansion, we gradually acquired some of the third-party owned retail outlets and retail points and set up our own PRC sales subsidiaries to take over the function of the regional retailers in the distribution to local retailers. The restructuring has enabled us to better control and manage our sales network. By March 2011, we completed our retail network restructuring. Since then, we have sold our products at self-owned retail outlets and retail points. We have also sold our products through our PRC sales subsidiaries to third-party retailers on a wholesale basis and through our concession points at hypermarkets owned and operated by Independent Third Parties. To expand our sales network, we also plan to acquire or set up additional retail outlets and retail points and continue to engage third-party retailers to open additional retail outlets and retail points.

Our revenue increased from approximately RMB571.0 million in 2008 to RMB692.7 million in 2009 and to RMB1,247.0 million in 2010, respectively, representing a CAGR of approximately 47.8%. Our revenue increased from approximately RMB269.0 million in the three months ended 31 March 2010 to RMB459.6 million in the three months ended 31 March 2011, representing a period-on-period growth of approximately 70.9% for such period. Growth in our revenue during the Track Record Period was due mainly to the expansion of our sales network and in particular, the growth in the number of our self-owned retail outlets and retail points.

Our net profit increased from approximately RMB109.2 million in 2008 to RMB138.9 million in 2009 and further to RMB223.0 million in 2010, representing a CAGR of approximately 42.9% over that period. Our net profit increased from approximately RMB42.9 million in the three months ended 31 March 2010 to RMB94.5 million in the three months ended 31 March 2011, representing a period-on-period growth of approximately 120.3% for such period.

During the Track Record Period, our gross profit margin decreased from 44.9% in 2008 to 43.8% in 2009, and increased to 55.3% in 2010 and 60.8% in the three months ended 31 March 2011. The major factor causing the increase in our gross profit margin in 2010 was the increase in sales through our self-owned retail outlets and retail points, where we generally sold the products to retail consumers at a higher price than the wholesale prices at which we sold our tea products to third-party retailers. Please see the section entitled “Financial Information – Description of Principal Income Statement Items – Revenue” in this prospectus for further details about our pricing policy. The major factor causing the decrease in our gross profit margin in 2009 was the significant

SUMMARY

drop in the gross profit margin of our tea ware from 48.8% in 2008 to 28.8% in 2009, because we ceased producing tea ware which generally commanded higher gross profit margin than we purchased finished tea ware products from third-party suppliers starting from 2009.

TAIWAN/MAINLAND INVESTMENT REGULATIONS

According to the Taiwan/Mainland Investment Regulations, direct or indirect investments through companies under its control made by a Taiwanese investor (including individuals and enterprises) in the PRC are subject to the prior approval of the Taiwan Investment Commission. However, if the total cumulative investment amount represented by all Taiwanese investors in a single PRC entity does not exceed US\$1 million, it is permitted to make a post-filing to the Taiwan Investment Commission within six months after the investment was made in such PRC enterprise. The current investment limit for a Taiwanese individual per year is US\$5,000,000 and for a Taiwanese enterprise is sixty percent of its net worth on a stand-alone or consolidated basis.

If a Taiwanese investor violates the Taiwan/Mainland Investment Regulations when investing in the PRC without obtaining prior approval from or making a post filing with the Taiwan Investment Commission, such Taiwanese investor may make a voluntary reporting to the Taiwan Investment Commission and the Taiwan Investment Commission may impose an administrative fine ranging from NT\$50,000 to NT\$25,000,000 on such Taiwanese investor. Upon paying the administrative fine as imposed by the Taiwan Investment Commission, the relevant Taiwanese investor will be permitted to make an application to seek the approval from the Taiwan Investment Commission to remedy such violation.

A Taiwanese investor is strictly prohibited from investing in the PRC in any of the restricted categories as announced by the Taiwan competent authority from time to time. Any Taiwanese investor who makes an investment in any of the restricted categories would be subject to an administrative fine ranging from NT\$50,000 to NT\$25,000,000, and may, in addition, be ordered to remedy such violation by withdrawing the investment within a specified period. Furthermore, the Taiwanese investors may be subject to imprisonment of up to two years and/or a fine of up to NT\$25,000,000 if they fail to comply with the order or make any investment in any of the restricted categories again in the PRC after complying with such order.

TAIWANESE INVESTORS

The Nominee and Entrustment Arrangements

Our Taiwanese Founding Members and 81 Taiwanese Original Investors had previously invested in our Group through nominee and entrustment arrangements. The Taiwan Investment Commission may rule that its prior approval was required for such prior beneficial interests. Our Taiwanese Founding Members and 81 Taiwanese Original Investors did not obtain approvals for such beneficial interests, as a result, may be subject to a fine. However, the arrangements were subsequently extinguished and the beneficial interests in our Company were transferred from US Tenren or Mr. Tsai Shan Jen to the Taiwanese Founding Members and 81 Taiwanese Original Investors as part of the Reorganisation. Our Taiwanese Founding Members and 81 Taiwanese Original Investors obtained the approvals from the Taiwan Investment Commission for such transfers in November and December 2010, respectively. Our Taiwan legal advisers have advised that, based on the Taiwan Investment Commission's approvals referred to above, our Taiwanese Founding Members and 81 Taiwanese Original Investors' shareholdings in our Company are legal and valid under Taiwan law. With respect to the previous nominee and entrustment arrangements,

SUMMARY

given that such arrangements have since been extinguished and the Taiwan Investment Commission has given its approvals referred to above, our Taiwan legal advisers have advised that the failure of the relevant Taiwanese investors to obtain Taiwan Investment Commission's prior approvals in connection with their previous beneficial interests in us under the nominee and entrustment arrangements would not affect the legality and the validity of our relevant Taiwanese investors' shareholdings in our Company and that the maximum liability of the relevant Taiwanese investors would be the imposition of a penalty in the amount of no more than NT\$25,000,000 per investor. Our Taiwanese legal advisers are of the view that the risk of the Taiwan Investment Commission imposing such penalty is low. Please see the section entitled "Risk Factors – Risks Relating to Taiwanese Individuals' Investment Restrictions in the PRC – The Taiwan Investment Commission may rule that its prior approval was required for the previous beneficial interests by our Taiwanese Founding Members and 81 Taiwanese Original Investors under certain nominee and entrustment arrangements, and our Taiwanese Founding Members and 81 Taiwanese Original Investors may be subject to a fine" in this prospectus.

The Prohibited Investment Activities in the PRC by Taiwanese Persons

Pursuant to the Taiwan/Mainland Investment Regulations and the policies adopted by the Taiwan competent authority, Taiwanese residents are not allowed to make investments in the PRC for the purpose of engaging in the business of planting, manufacturing or blending tea leaves. We do not engage in the aforesaid prohibited activities. In addition, our Taiwan legal advisers have opined that, based on their interpretation of the relevant provisions of the Taiwan/Mainland Investment Regulations and our business activities, as of the Latest Practicable Date, our Group did not conduct activities of planting, manufacturing or blending of tea leaves as prohibited under the Taiwan/Mainland Investment Regulations.

COMPLIANCE WITH TAIWAN/MAINLAND INVESTMENT REGULATIONS

Our Taiwanese Founding Members and 81 Taiwanese Original Investors obtained approvals from the Taiwan Investment Commission in November and December 2010, respectively, in connection with their indirect investments in our PRC subsidiaries through their respective shareholdings in our Company. As advised by our Taiwan legal advisers, the Taiwan Investment Commission would typically deem further investments by us in the PRC as additional equity investments made by our Taiwanese investors, which would have required a prior approval. However, if the total cumulative equity investment amount represented by all the Taiwanese investors in a single PRC entity does not exceed US\$1 million, a post-filing would also be acceptable to the Taiwan Investment Commission. Our Company has made a total of 14 additional equity investments in the PRC since the Taiwanese Founding Members and 81 Taiwanese Original Investors obtained the Taiwan Investment Commission's approvals in November and December 2010, respectively, for which our Taiwanese Founding Members and 81 Taiwanese Original Investors submitted the relevant applications on 22 October 2010 and 15 November 2010, respectively. Of these 14 investments, six investments individually exceeded the US\$1 million cumulative investment amount and therefore fell within the requirement to obtain prior approval, and eight investments individually did not exceed the US\$1 million cumulative investment amount, and therefore were eligible for post-filings.

SUMMARY

Our Taiwanese Founding Members and 81 Taiwanese Original Investors were not aware of the Taiwan/Mainland Investment Regulations in respect of the additional equity investments in the PRC until April 2011, which require such Taiwanese investors to obtain prior approval or make post-filing. Each of the Taiwanese Founding Members and 81 Taiwanese Original Investors reported to the Taiwan Investment Commission to remedy their failure to apply for relevant prior approvals for the six investments on 26 May 2011 and made one and two post-filings with the Taiwan Investment Commission for three out of the other eight investments on 9 August 2011 and 22 August 2011, respectively. However, on 16 August 2011 and 25 August 2011, respectively, the Taiwan Investment Commission verbally notified our Taiwan legal advisers to withdraw the applications on behalf of the Taiwanese Founding Members and 81 Taiwanese Original Investors while the Taiwan Investment Commission processes the filing made by Mr. Lee Rie-Ho with respect to the change in his investment shareholding structure through the establishment of The WH Trust. In view that the Taiwan Investment Commission would take longer time to review and approve the application by Mr. Lee Rie-Ho with respect to the change in his investment shareholding structure through the establishment of The WH Trust, Mr. Lee decided to have Super Giant transfer its shares in the Discerning Group Limited back to himself so that The WH Trust no longer held interest in Shares of our Company.

Such transfer by Mr. Lee Rie-Ho was completed on 2 September 2011 and since then, Mr. Lee Rie-Ho owns 100% shareholding of Discerning Group Limited, which directly holds the Shares of our Company. On 5 September 2011, Mr. Lee Rie-Ho reported such transfer to the Taiwan Investment Commission and subsequently The WH Trust no longer held interest in Shares of our Company. On 8 September 2011, the Taiwanese Founding Members and 81 Taiwanese Original Investors resubmitted their applications for approval in respect of their six additional investments in the PRC and the three post-filings filed in August 2011, and made the remaining five post-filings with the Taiwan Investment Commission. As advised by our Taiwan legal advisers, there should be no significant legal impediment for these Taiwanese Founding Members and 81 Taiwanese Original Investors to obtain the approvals in respect of the 14 additional equity investments in the PRC.

In addition, our Taiwan legal advisers have opined that notwithstanding the transfer and subsequently The WH Trust no longer held interest in Shares of our Company as described above, the legality and the validity of our existing Taiwanese investors' shareholdings in our Company would not be affected. However, each of our Taiwanese Founding Members and 81 Taiwanese Original Investors may still be subject to an administrative fine ranging from NT\$50,000 to NT\$25,000,000 per incident for not obtaining prior approval in respect of the six additional investments in the PRC that require prior approval pursuant to the Taiwan/Mainland Investment Regulations. For further details, please see the section entitled "Risk Factors – Risks Relating to Taiwanese Individuals' Investment Restrictions in the PRC – The Taiwan Investment Commission may impose fines on our Taiwanese Founding Members and 81 Taiwanese Original Investors for their failure to obtain the prior approval in respect of certain additional equity investments made by us in the PRC entities (including establishment or acquisition of new PRC entities)" in this prospectus.

SUMMARY

In order to prevent the Taiwanese investors from failing to make required filings or reporting with the Taiwan Investment Commission in the future, we have issued a memorandum to each of the Taiwanese investors setting out the relevant Taiwanese regulations in relation to the investment restrictions on Taiwanese individuals in the PRC and reminding them of their filing or reporting obligations as required by the Taiwan Investment Commission. Furthermore, each of the existing Taiwanese substantial shareholders and Taiwanese Directors who hold shares in our Company has undertaken to us that he will comply with the Taiwan/Mainland Investment Regulations in connection with his interest in us in the future, including but not limited to obtaining approval from or making post-filings with the Taiwan Investment Commission.

In anticipation of the potential new investments in the PRC to be made by our Group by using the proceeds of the Global Offering, on 9 September 2011, our Taiwanese investors filed application with the Taiwan Investment Commission for prior approval of such investments. There is no assurance that such prior approvals can be obtained. Therefore, Mr. Lee Rie-Ho may have to reduce his shareholding in our Company by 1.64% within one year after the completion of the Global Offering, taking into account: (i) our current plan to inject the proceeds from the Global Offering into our PRC subsidiaries over a five-year period (the amount of our planned injection of proceeds into the PRC subsidiaries over each of the next five years is HK\$283.7 million per year); (ii) the investment limit for a Taiwanese individual per year is US\$5,000,000; and (iii) our Group structure immediately after the completion of the Global Offering. For further details, please see the section entitled “Risk Factors – Our Taiwanese investors may have to reduce their interests in us in order to comply with the Taiwan/Mainland Investment Regulations, which may cause our share price to be volatile” in this prospectus.

We will publish announcement(s) after the Listing when our existing Taiwanese substantial shareholders and Taiwanese Directors who hold Shares in our Company obtain relevant approvals from the Taiwan Investment Commission in respect of the injection of proceeds from the Global Offering. We will use our best endeavors to communicate with the other existing Taiwanese investors with respect to the filing or reporting obligations as required by the Taiwan Investment Commission as and when required. As advised by our Taiwan legal advisers, as the filing and reporting obligations rest with the Taiwanese investors, their failure in obtaining approval from the Taiwan Investment Commission shall not have any material impact on our business.

OUR COMPETITIVE STRENGTHS

- We have a leading position in the traditional Chinese tea-product market in the PRC
- We have a nationwide sales and distribution network
- Our multi-brand strategy and comprehensive offering of tea products allow us to target different consumer segments
- We actively promote a tea culture and offer a personalised shopping experience to consumers
- We adopt a market-oriented product development strategy and are able to respond swiftly to market trends and demands
- Our management team has a proven track record and expertise








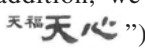
SUMMARY

OUR STRATEGIES

- Continue to expand and optimise our network of retail outlets and retail points
- Continue to enhance our brands' reputation and consumer awareness of our brands
- Continue to develop new concepts for tea-related products
- Continue to enhance the efficiency and effectiveness of our processing and distribution systems
- Expand our production capability
- Improve our cost management
- Retain, develop and attract talented personnel

INTELLECTUAL PROPERTY

Our self-owned and third-party owned retail outlets and retail points operate under our “Tenfu” brand in the PRC. As of the Latest Practicable Date, we had registered the core trademarks relating to our “Tenfu” brand (“”, “”, “” and “” with the Trademark Office of the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局商標局). We have also entered into the Strategic Alliance Agreement and the Master Purchase Agreement with Lu Yu, pursuant to which, amongst other things, we were licensed to use the “Ten Ren” trademark and the “Lu Yu” trademark, respectively, for our business.

Our concession points at hypermarkets operate under the Tenfu Ten Xin (“”, “”), Danfeng (“”) and Uncle Lee (“”) trademarks in the PRC. As of the Latest Practicable Date, we had registered the Uncle Lee trademark (“”) with the Trademark Office of the State Administration for Industry and Commerce of the PRC. The Danfeng trademark (“”) is in the process of being transferred to us by Xiamen Tenfu, the registration of which is being processed by the Trademark Office of the State Administration for Industry and Commerce of the PRC. As advised by our PRC legal advisers, there is no material legal impediment to the completion of the registration of the Danfeng trademark. In addition, we have applied for the registration of the Tenfu Ten Xin trademarks (“”, “”) on 1 December 2010. Our PRC trademark registration agent has confirmed that these trademarks had passed the preliminary examination of Trademark Office and are due for publication on 13 September 2011. As advised by our PRC legal advisers, pursuant to Trademark Law of the PRC, if no opposition is filed within three months from the date of such publication, the trademark applications will be approved for registration.

For further information, please see the sections entitled “Business – Intellectual Property” and “Statutory and General Information – B. Information About Our Business” in this prospectus.

SUMMARY

SUMMARY OF HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth, for the periods indicated, the selected financial data from our consolidated financial information. For more detailed information, please see the Accountant's Report in Appendix I to this prospectus.

Consolidated Statements of Comprehensive Income

	Year Ended 31 December			Three Months Ended 31 March	
	2008	2009	2010	2010	2011
	<i>RMB in millions</i>				
	<i>(unaudited)</i>				
Revenue	571.0	692.7	1,247.0	269.0	459.6
Costs of sales	(314.9)	(389.4)	(557.3)	(148.8)	(180.0)
Gross profit	256.1	303.3	689.7	120.2	279.6
Distribution costs	(65.8)	(53.7)	(272.6)	(42.9)	(110.3)
Administrative expenses	(40.3)	(55.1)	(107.1)	(15.2)	(37.0)
Other income	2.9	4.9	9.0	1.5	0.8
Other (losses)/gains – net	(2.3)	1.9	2.3	1.2	0.2
Operating profit	150.6	201.3	321.3	64.8	133.3
Finance income	0.2	0.4	1.0	0.2	0.3
Finance costs	(9.3)	(9.4)	(9.8)	(2.9)	(5.1)
Finance costs – net	(9.1)	(9.0)	(8.8)	(2.7)	(4.8)
Share of profit of a jointly controlled entity	1.2	0.9	1.2	0.3	0.3
Profit before income tax	142.7	193.2	313.7	62.4	128.8
Income tax expense	(33.5)	(54.3)	(90.7)	(19.5)	(34.3)
Profit for the year/period, all attributable to the equity holders of the Company	<u>109.2</u>	<u>138.9</u>	<u>223.0</u>	<u>42.9</u>	<u>94.5</u>
Other comprehensive income for the year/period	–	–	–	–	–
Total comprehensive income for the year/ period, all attributable to the equity holders of the Company	<u>109.2</u>	<u>138.9</u>	<u>223.0</u>	<u>42.9</u>	<u>94.5</u>

SUMMARY

Consolidated Statements of Financial Position

	As of 31 December			As of
	2008	2009	2010	31 March 2011
	<i>RMB in millions</i>			
ASSETS				
Non-current assets				
Leasehold land and land use rights	13.2	15.1	19.4	19.2
Investment properties	23.8	5.6	5.3	5.2
Property, plant and equipment	235.4	236.9	278.6	360.9
Intangible assets	1.2	1.3	2.9	2.9
Investment in a jointly controlled entity . .	4.5	3.3	3.7	3.0
Deferred income tax assets	2.4	8.8	30.3	24.8
Prepayments – non-current portion	1.1	–	8.5	9.0
	281.6	271.0	348.7	425.0
Current assets				
Inventories	148.6	190.9	299.2	267.2
Trade and other receivables	254.0	402.2	354.1	191.8
Prepayments	10.2	23.8	70.5	115.0
Restricted cash	–	5.5	3.5	7.2
Cash and cash equivalents	21.8	141.2	450.7	410.6
	434.6	763.6	1,178.0	991.8
Total assets	716.2	1,034.6	1,526.7	1,416.8
EQUITY				
Capital and reserves attributable to the equity holders of the Company				
Share capital	–	–	8.9	8.9
Share premium	–	–	194.8	194.8
Other reserves	306.9	322.2	342.4	342.4
Retained earnings	106.6	230.3	117.6	212.1
	413.5	552.5	663.7	758.2
Total equity	413.5	552.5	663.7	758.2

SUMMARY

	As of 31 December			As of
	2008	2009	2010	31 March 2011
	<i>RMB in millions</i>			
LIABILITIES				
Non-current liabilities				
Borrowings	–	3.7	0.7	–
Deferred income tax liabilities	5.3	13.7	14.5	15.7
	<u>5.3</u>	<u>17.4</u>	<u>15.2</u>	<u>15.7</u>
Current liabilities				
Trade and other payables	135.5	179.6	260.2	184.6
Dividend payable	–	–	157.7	88.4
Current income tax liabilities	18.9	28.8	30.9	18.7
Borrowings	143.0	256.3	399.0	351.2
	<u>297.4</u>	<u>464.7</u>	<u>847.8</u>	<u>642.9</u>
Total liabilities	<u>302.7</u>	<u>482.1</u>	<u>863.0</u>	<u>658.6</u>
Total equity and liabilities	<u><u>716.2</u></u>	<u><u>1,034.6</u></u>	<u><u>1,526.7</u></u>	<u><u>1,416.8</u></u>

SUMMARY

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2011

On the bases and assumptions set out in Appendix III to this prospectus, and in the absence of unforeseen circumstances, we estimate that the our unaudited consolidated net profit attributable to equity holders of the Company and the unaudited pro forma forecast earnings per Share as follows:

Forecast consolidated profit attributable to equity holders of the Company ⁽¹⁾	not less than RMB290.8 million (approximately HK\$354.9 million)
Unaudited pro forma forecast earnings per Share ⁽²⁾	not less than RMB0.24 (approximately HK\$0.29)

Notes:

- (1) The bases and assumptions on which the above profit forecast has been prepared are summarized in the section headed “Appendix III – Profit Forecast” in this prospectus. The Directors have prepared the forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2011 based on our audited consolidated result for the three months ended 31 March 2011, the unaudited management accounts for the four months ended 31 July 2011 and the forecast of the consolidated results for the remaining five months ending 31 December 2011. The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by our Group as set out in Note 2 of Section II of the section entitled “Appendix I – Accountant’s Report” in this prospectus.
- (2) The unaudited pro forma forecast earnings per Share is calculated by dividing the forecast consolidated profit attributable to the equity holders of the Company for the year ending 31 December 2011, assuming that our Company had been listed since 1 January 2011 and a total of 1,227,207,460 Shares to be in issue immediately upon completion of the Capitalisation Issue and the Global Offering were issued and outstanding during the entire period. The calculation takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any shares which may be issued upon exercise of the options granted under the Share Option Scheme, any shares which may be allotted and issued or repurchased by our Company pursuant to a general mandate.

SUMMARY

OFFER STATISTICS

	Based on an Offer Price per Share of HK\$4.80	Based on an Offer Price per Share of HK\$6.80
Market capitalisation of our Shares ⁽¹⁾	HK\$5,890.6 million	HK\$8,345.0 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share ⁽²⁾	RMB1.23 (HK\$1.50)	RMB1.50 (HK\$1.83)

- (1) The calculation of market capitalisation is based on 1,227,207,460 Shares expected to be in issue assuming immediately upon completion of the Global Offering and the Capitalisation Issue.
- (2) The unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of the Company per share has been arrived on the basis of a total of 1,227,207,460 Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue. It does not take into account any Shares which may be issued upon exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme.

DIVIDENDS AND DIVIDEND POLICY

We declared a dividend of RMB5.0 million, zero, RMB307.2 million and zero to our shareholders in the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, respectively. Among the declared dividends, we paid RMB5.0 million as of 31 December 2008 and RMB149.5 million as of the 31 December 2010, respectively. We did not make any other dividends or distributions to our Shareholders during the Track Record Period. Our historical distributions of dividends are not indicative of our future declarations of dividends.

Our Board may declare dividends in the future after taking into account our financial and business conditions, earnings, capital requirements and other factors as it may deem relevant at such time. Any declaration and payment, as well as the amount, of dividends will be subject to the requirements of our constitutional documents and the Companies Law. Our Shareholders in general meeting must approve any declaration of dividends, which may not exceed the amount recommended by our Board. In addition, our Directors may from time to time pay such interim dividends as appear to our Board to be justified by our profits, or special dividends of such amounts and on such dates as they think fit. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

Future dividends payments will also depend upon the availability of dividends received from our subsidiaries in the PRC. PRC laws require that dividends be paid only out of accumulated profits as determined in accordance with accounting standards and regulations in the PRC. Each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profit under PRC accounting standards each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. These reserves are not available for distribution as cash dividends.

Subject to the considerations and constraints above, we currently intend to distribute as dividends to all our Shareholders approximately 20% of our consolidated net profit after tax in respect of the year ending 31 December 2011.

SUMMARY

RISK FACTORS

An investment in the Offer Shares involves significant risks. The section entitled “Risk Factors” in this prospectus describes events, uncertainties and circumstances that may create or enhance risks to our business, financial condition or results of operations or otherwise to the value of your investment in the Offer Shares. These risk factors include:

Risks Relating to Our Business

- We have been, and may continue to be, substantially dependent on revenue from the sale of our tea leaves. A decline in the sales or profitability of tea leaves could materially and adversely affect our business, financial condition and results of operations.
- If we fail to effectively market and promote our brands, in particular our Tenfu brand, our business, financial condition and results of operations may be materially and adversely affected.
- Our recent revenue growth has been mainly attributable to our strategy of expanding our retail sales network and increasing the number of our self-owned retail outlets and retail points. We may be unable to maintain our recent revenue growth if this strategy is not as successful as we expect.
- Our operations are capital intensive, and our business could be adversely affected if we fail to maintain a sufficient level of working capital.
- If we fail to integrate acquired retail outlets and retail points effectively, or if the acquired retail outlets and retail points do not perform as expected, we may not be able to realise the benefits envisioned for such acquisitions, and our overall profitability and growth plans may be adversely affected.
- We may not be able to renew any of the existing leases or concession agreements for our retail outlets or retail points.
- Some of the properties leased or occupied by us have title or ownership irregularities.
- If we cannot find suitable locations for our retail outlets and retail points on commercially acceptable terms, our growth prospects may be adversely affected.
- Our revenue has been, and may continue to be, significantly dependent on sales in certain geographic markets in the PRC.
- Failure to develop and introduce new tea products or gain market acceptance of our new tea products could have a negative effect on our business.
- Any significant default on our trade and other receivables could materially and adversely affect our liquidity, results of operations and financial position.
- Our profit margin may not be sustainable.
- We have historically depended on sales to our third-party retailers (including regional third-party retailers prior to March 2011) for most of our revenue, and third-party retailers are expected to remain important in our sales network. If the third-party retailers are not able to operate successfully or we fail to maintain good relationships with such parties, our business, financial condition and results of operations could be materially and adversely affected.

SUMMARY

- We have limited control over the actions and practices of the third-party retailers and their respective retail outlets and retail points, and their actions and practices may harm our brand image, reputation and the competitiveness of our products or otherwise negatively affect our business prospects and results of operations.
- We may not be able to accurately track the sales and inventory levels of the third-party retailers and their respective retail outlets and retail points, which could cause us to predict sales trends incorrectly.
- We rely on six major logistics companies for the delivery of substantially all of our products to self-owned and third-party owned retail outlets and retail points.
- Our operations rely on various trade secrets and know-how, and our ability to compete could be harmed if any of such trade secrets and know-how is disclosed to third parties.
- Failure to protect our intellectual property rights could undermine our competitive position, and litigation to protect our intellectual property rights may be costly and ineffective.
- We may face intellectual property infringement claims by third parties, which could disrupt our business, cause substantial legal costs, and damage our reputation.
- The registration of certain trademarks and patents in the PRC are still pending and may not be approved.
- Our success and business operations are largely dependent on certain key personnel and our ability to attract and retain talented personnel.
- Any disruption to the supply of, any increase in the prices of, or any quality or safety problems in relation to, our raw materials could adversely affect our production, revenue and profitability.
- We engage external suppliers to plant, manufacture and blend tea leaves and supply them in finished form. Any disruption to the supply of or unfavourable changes in the prices or quality of tea leaves in finished form that we source from these external suppliers could have a material adverse effect on our results of operations.
- We engage external manufacturers for the production of tea ware. If these external manufacturers fail or refuse to meet our demand or to deliver the products to us in a timely manner, we may not be able to replace them with suitable or other reliable sources of supply in a timely manner, and this may disrupt our business.
- We sell the Lu Yu brand of tea ware products by procuring the Lu Yu brand of tea ware directly from an external supplier. If the external supplier terminates the supply of such tea ware to us, our business, financial condition and results of operations would be materially and adversely affected.
- We may need additional capital and any failure by us to raise additional capital on terms acceptable to us, or at all, could limit our ability to grow our business.
- The majority of our production facilities are located in a province of the PRC, and any natural disaster or other event affecting these facilities may severely disrupt our business.

SUMMARY

- Our insurance coverage may not completely cover the risks related to our business and operations.
- A system failure or breakdown of our information technology infrastructure may cause interruption to our business and operations.
- We have not obtained approvals from the MOFCOM at the provincial level for certain existing retail outlets and, accordingly, we may be subject to fine or other administrative penalties, which could materially and adversely affect our business, financial condition and results of operations.

Risks Relating to Taiwanese Individuals' Investment Restrictions in the PRC

- Some of our Founding Members and/or Directors may be subject to certain fines as a result of breach of Taiwanese regulations restricting Taiwanese enterprises or residents from engaging or investing in planting, manufacturing and blending tea leaves in the PRC, which could adversely affect our reputation.
- The Taiwan Investment Commission may rule that its prior approval was required for the previous beneficial interests by our Taiwanese Founding Members and 81 Taiwanese Original Investors under certain nominee and entrustment arrangements, and our Taiwanese Founding Members and 81 Taiwanese Original Investors may be subject to a fine.
- The Taiwan Investment Commission may impose fines on Mr. Lee Rie-Ho for his failure to report to the Taiwan Investment Commission in respect of The WH Trust arrangement.
- The Taiwan Investment Commission may impose fines on our Taiwanese Founding Members and 81 Taiwanese Original Investors for their failure to obtain the prior approval in respect of certain additional equity investments made by us in the PRC entities (including establishment or acquisition of new PRC entities).
- Certain provisions of the Taiwan/Mainland Investment Regulations could be subject to different interpretation by the Taiwan Investment Commission.
- Our Taiwanese investors may have to reduce their interest in us in order to comply with Taiwan/Mainland Investment Regulations, which may cause our share price to be volatile.

Risks Relating to the Tea-Product Industry in the PRC

- Changes in consumer preferences and demand for tea leaves, tea snacks or tea ware in the PRC could materially and adversely affect our business, financial condition and results of operations.
- The tea-products industry in the PRC could face competition from substitute products such as other beverage products.
- We face intense competition, and if we fail to compete effectively, we may lose market share and our results of operations may be adversely affected.
- Any unexpected or undesirable side effects or injury to consumers caused by our products could result in costly product recalls or product liability claims, which in turn could lead to severe reputational damage, monetary losses or lawsuits.

SUMMARY

- Unfavourable publicity or consumer perception of our products, or of similar products sold by other companies, could have a material adverse effect on our business.
- The tea leaves and tea snacks industries are heavily regulated in the PRC, and any failure to comply with, and changes in, the regulatory requirements or any regulatory actions against us or our products could adversely affect our business prospects, financial condition and results of operations.
- Our products and brand names may be subject to counterfeiting or imitation, which could adversely impact our reputation and lead to loss of consumer confidence, reduced sales and higher administrative costs.
- We experience seasonal fluctuations in our revenue and profitability.
- The recent global financial crisis and economic downturn had and may continue to have a material and adverse effect on our business, results of operations and financial condition.
- Acts of god, acts of war, epidemics (real or perceived), and other disasters may affect our business.
- We are subject to environmental regulations and may be exposed to liability and potential costs for environmental compliance.

Risks Relating to Doing Business in the PRC

- As we derive substantially all of our revenue from the PRC, any downturn in Chinese macroeconomic trends may harm our business.
- The relationship between the PRC and Taiwan could affect our business and results of operations.
- Adverse changes in political and economic policies of the PRC Government could have a materially adverse effect on the overall economic growth of the PRC, which could reduce the demand for our products and materially and adversely affect our competitive position.
- Uncertainties with respect to the PRC legal system could have a material adverse effect on us.
- PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.
- Governmental control of currency conversion may limit our ability to use our revenue effectively and the ability of our PRC subsidiaries to obtain financing.
- Fluctuations in the value of the Renminbi may have a materially adverse impact on our financial condition and results of operations and the value of your investment.
- Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees' share options and restricted share units may subject such employees or us to fines and legal or administrative sanctions.
- The increase in the PRC enterprise income tax and the discontinuation of the preferential tax treatments available to us could decrease our net income and materially and adversely affect our financial condition and results of operations.

SUMMARY

- We may be subject to additional EIT for certain acquisitions.
- We may be classified as a “resident enterprise” for PRC enterprise income tax purposes; such classification could result in unfavourable tax consequences to us and our non-PRC Shareholders.
- We rely on dividends paid by our subsidiaries for our capital needs, and limitations under PRC laws on the ability of our PRC subsidiaries to distribute dividends to us could adversely affect our ability to utilise such funds.
- PRC tax laws on dividend distribution may materially and adversely affect our business and results of operations and dividends payable by us to our foreign investors and gains on the sale of our Shares may be subject to withholding taxes under PRC tax laws.
- Compliance with the PRC Labour Contract Law may increase our labour costs.
- It may be difficult to effect service of process upon us or our Directors or Senior Management who reside in the PRC or to enforce against them in the PRC any judgements obtained from non-PRC courts.

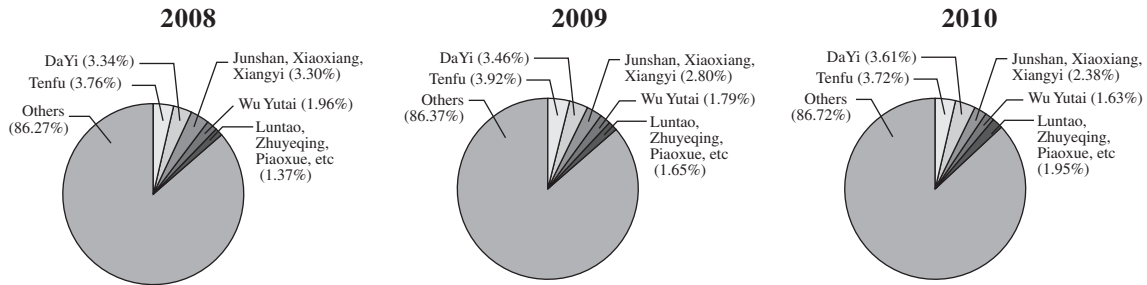
Risks relating to the Global Offering

- There has been no prior public market for our Shares and their liquidity and market price may be volatile.
- Current volatility in the global financial markets could cause significant fluctuations in the price of our Shares.
- Mr. Lee Rie-Ho, Mr. Lee Shih-Wei and Mr. Lee Chia Ling, all of whom are members of the family and senior members of our management, beneficially own a substantial number of our outstanding Shares and, as a result, have significantly greater influence over us and our corporate actions relative to our public Shareholders and their individual and/or collective interests may not be aligned with the interests of other Shareholders.
- Your interest in us may be diluted in the future.
- Purchase of Offer Shares may incur an immediate and substantial dilution in net tangible book value per Share as a result of the Global Offering.
- You may face difficulties in protecting your interests because we are incorporated under Cayman Islands law, which may provide less protection to minority shareholders than the laws of Hong Kong and other jurisdictions.
- Facts and statistics in this prospectus relating to the PRC economy and the Chinese tea leaves, tea snacks and tea ware industries in the PRC may not be fully reliable.
- Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

SUMMARY

Competitive Landscape of the Traditional Chinese Tea Market in the PRC

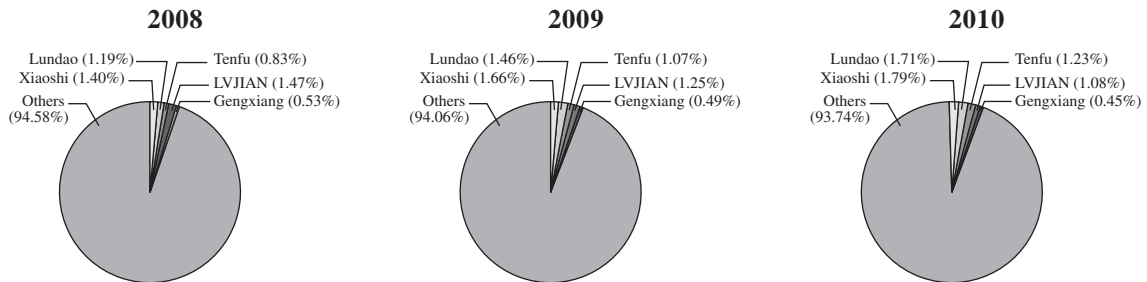
The following pie charts illustrate the respective market share of the top Chinese tea leaves brands in the PRC in terms of retail sales value, from 2008 to 2010.



Source: Euromonitor International

Non-fermented green tea

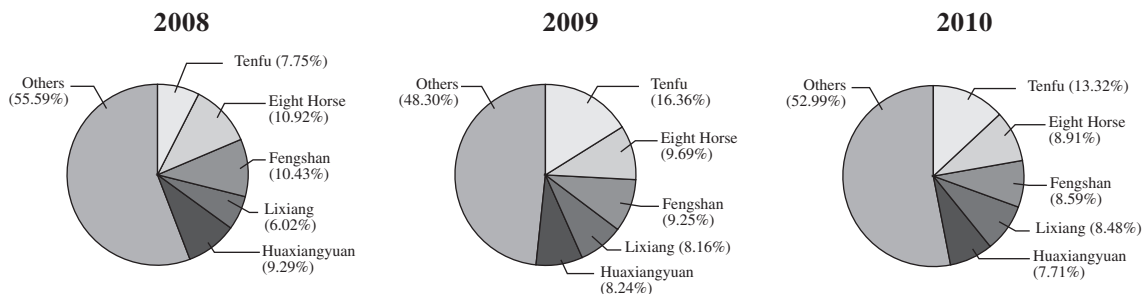
The following pie charts illustrate the respective market share of the top Chinese tea leaves brands for non-fermented green tea in the PRC in terms of retail sales value, from 2008 to 2010.



Source: Euromonitor International

Partially-fermented Oolong Tea

The following pie charts illustrate the respective market share of the top Chinese tea leaves brands for partially-fermented Oolong tea in the PRC, in terms of retail sales value, from 2008 to 2010.

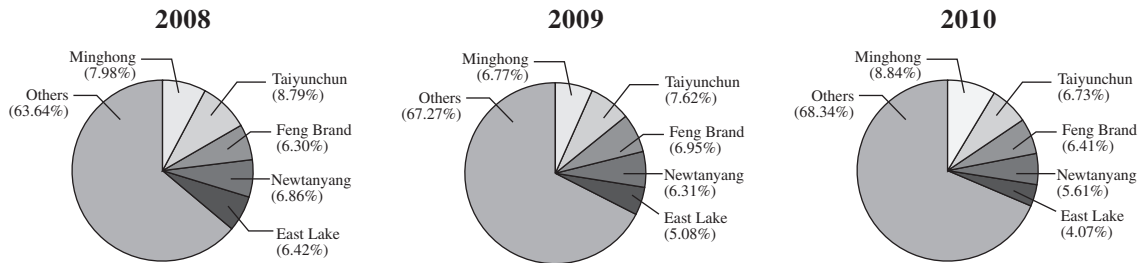


Source: Euromonitor International

SUMMARY

Fully-fermented Black Tea

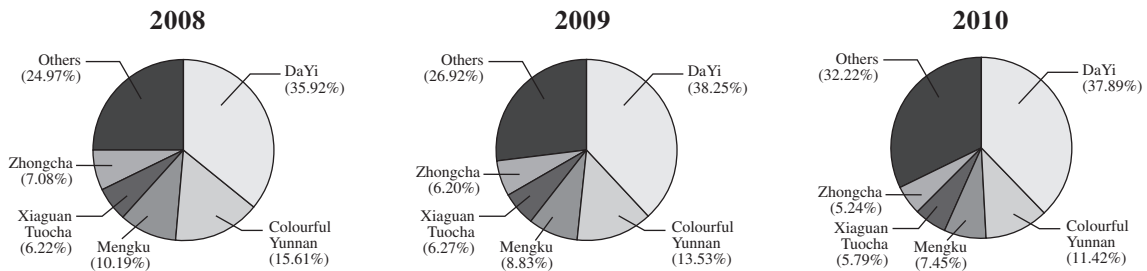
The following pie charts illustrate the respective market share of the top Chinese tea leaves brands for fully-fermented black tea in the PRC, in terms of retail sales value, from 2008 to 2010.



Source: Euromonitor International

Post-fermented Pu'er Tea

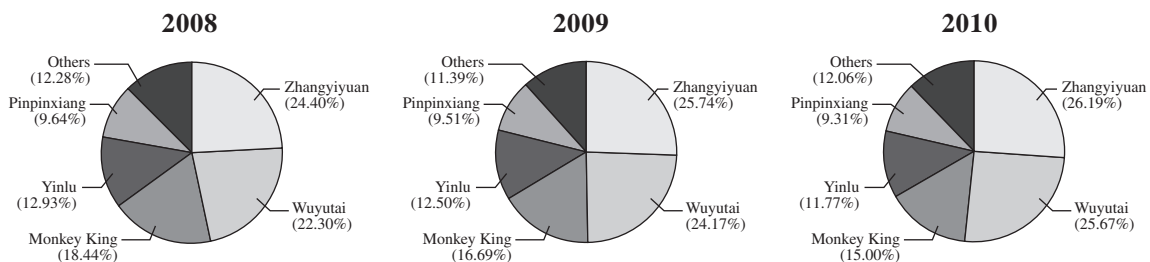
The following pie charts illustrate the respective market share of the top Chinese tea leaves brands for post-fermented Pu'er tea in the PRC, in terms of retail sales value, from 2008 to 2010.



Source: Euromonitor International

Flower Tea

The following pie charts illustrate the respective market share of the top Chinese tea leaves brands for flower tea in the PRC, in terms of retail sales value, from 2008 to 2010.



Source: Euromonitor International

SUMMARY

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,118.7 million, after deducting the underwriting fees and expenses payable by us in the Global Offering, and assuming an offer price of HK\$5.80 per Share, being the mid-point of the Offer Price range stated in this prospectus. We intend to use these net proceeds for the following purposes:

- approximately 40%, or HK\$447.5 million, to expand and optimise our network of self-owned retail outlets and retail points over the next five years. Based on our current plans and subject to, amongst others, prevailing market conditions at the relevant times, this will include a net increase of approximately 75 self-owned retail outlets and retail points per year for the next five years through the establishment of new self-owned retail outlets and retail points (21.0%) and the acquisition of retail outlets and retail points from our third-party retailers which fit our expansion plan and have good financial performance and past compliance records (1.5%). The major cost components for establishing self-owned retail outlets include rental deposits, renovations, fittings, furniture and equipment. In addition, approximately 17.5% of our net proceeds will be used for the refurbishment of existing premises of self-owned retail outlets and retail points;
- approximately 25%, or HK\$279.7 million, to acquire store premises for the operation of self-owned retail outlets which fit our criteria, such as whether the locations of the premises are in affluent commercial areas in core and non-core cities in the PRC, whether the projected financial performance of retail outlets established on such store premises meets our expectations and whether such store premises are free from property title defects. We believe such acquisition of store premises will help us to secure prime locations for our self-owned retail outlets in core and non-core cities in the PRC, avoid relocation due to the end of a tenancy and allow us to reduce any upward pressure in rental price increases in the PRC;
- approximately 15%, or HK\$167.8 million, to maintain and promote our brands and enhance consumer awareness of our brands in the PRC through effective targeted marketing and promotional activities, including advertising, free trials and gifts and other promotional activities;
- approximately 10%, or HK\$111.9 million, to expand our production capacity for primarily our tea leaves packaging and tea snacks production and packaging facilities when suitable acquisition opportunities arise and/or suitable construction sites that fit our criteria can be identified, including whether the location of the site is close to tea growing regions and convenient for transportation; and
- the remainder (not more than 10% of our net proceeds) to provide funding for our working capital and other general corporate purposes and improvement of our capital structure.

SUMMARY

Should the Offer Price be determined in between the low end Offer Price of HK\$4.80 per Offer Share and the mid-point Offer Price of HK\$5.80 per Offer Share, the net proceeds that we receive will decrease up to approximately HK\$208.6 million, in which case we intend to reduce the net proceeds to be allocated for the above purposes on a pro-rata basis.

Should the Offer Price be determined from the mid-point Offer Price of HK\$5.80 per Offer Share to the maximum Offer Price of HK\$6.80 per Offer Share, we estimate to receive an additional sum of up to HK\$208.6 million, and if the Over-allotment Option is exercised in full, we estimate to receive an additional sum of up to HK\$212.8 million, which sum we intend to use for the purpose of expanding and optimising our sales network by establishing new or acquiring retail outlets or retail points from our third-party retailers. To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes, the Directors may allocate part or all of the proceeds to short-term interest-bearing deposits and/or money-market instruments with authorised financial institutions and/or licensed banks in Hong Kong and/or the PRC.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

“affiliate”	in relation to any specified person, such other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	white application form(s), yellow application form(s) and green application form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company adopted on 17 December 2010 and as amended from time to time, a summary of which is set out in Appendix V to this prospectus
“Beijing Tenfu”	北京京城天福茶莊有限公司 (Beijing Tenfu Tea Co., Ltd.*), a limited liability company established in the PRC on 25 January 2002, which is engaged in the sale of tea leaves, tea snacks and tea ware and wholly owned by Ten Rui HK
“Board” or “Board of Directors”	the board of Directors of our Company
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 916,728,714 new Shares to be made upon capitalisation of certain sum standing to the credit of the share premium account of our Company referred to in the section entitled “Statutory and General Information – Resolutions in writing of the shareholders of our Company passed on 31 August 2011” in Appendix VI to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Circular 601”	中華人民共和國國家稅務總局關於如何理解和認定稅收協定中“受益所有人”的通知《國稅函[2009] 601號》 (the Circular of the State Administration of Taxation of the PRC on How to Understand and Determine “Beneficial Owners” under Tax Convention (Guo Shui Han [2009] No. 601)*)
“CICC”	China International Capital Corporation Hong Kong Securities Limited, licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company” or “our Company”	Tenfu (Cayman) Holdings Company Limited (天福 (開曼) 控股有限公司), an exempted company incorporated with limited liability under the laws of the Cayman Islands on 22 April 2010
“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, refers to (i) Mr. Lee Rie-Ho and Discerning Group Limited; (ii) Mr. Lee Chia Ling, through The KCL Trust, Trackson Investments Limited and Tiger Nature, and (iii) Mr. Lee Shih-Wei, who will together control the exercise of approximately 46.53% of the voting rights in general meetings of our Company immediately after completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised). Details of their shareholdings in our Company are set forth in the section entitled “Substantial Shareholders” in this prospectus
“Covenantors”	Mr. Lee Rie-Ho, Discerning Group Limited, Mr. Lee Chia Ling, Trackson Investments Limited, Samoa Company, Uncle Lee’s Tea Inc., Lu Yu, Tiger Nature, the Trustee and Mr. Lee Shih-Wei

DEFINITIONS

“Credit Suisse”	Credit Suisse (Hong Kong) Limited, licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) under the SFO
“Director(s)”	the directors of our Company
“Euromonitor International”	Euromonitor International Limited, a company established in England in 1972 that provides business intelligence on industries, countries and consumers
“Financial Investors”	Pearl Ever Group Limited, Sequoia Capital China Tenfu Limited, Heartland Capital Management Limited, Ten Ren Tea (Hong Kong) Limited, Future Champion Holdings Limited, Mr. Tsai Song Maw, IDG Technology Venture Investment IV, L.P. and Mr. Lee Jui-Chi, and each of them, a Financial Investor
“Founding Members”	Mr. Lee Rie-Ho, Mr. Lee Chia Ling, Mr. Tsai Shan Jen, Mr. Tseng Ming-Sung and Mr. Lee Shih-Wei
“Four Sales Subsidiaries”	Fujian Tenfu Sales, Jinan Tenfu, Yantai Tenfu and Beijing Tenfu
“Fujian Tenfu Sales”	福建天福茗茶銷售有限公司 (Fujian Tian Fu Sales Co., Ltd.*), a limited liability company established in the PRC on 4 July 2008, which is engaged in the sale of tea leaves, tea ware and tea snacks and wholly owned by Ten Rui HK
“Global Offering”	the Hong Kong Public Offer and the International Placing
“Green application form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
“HK\$” and “cent”	Hong Kong dollar and cent respectively, the lawful currency of Hong Kong

DEFINITIONS

“HKFRSs”	Hong Kong Financial Reporting Standards (which also include the Hong Kong Accounting Standards and Interpretations)
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Offer Shares”	the 20,862,000 Shares being initially offered by our Company for subscription under the Hong Kong Public Offer at the Offer Price (subject to adjustment as described in the section entitled “Structure of the Global Offering – Pricing and Allocation” in this prospectus)
“Hong Kong Public Offer”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in this prospectus and in the Application Forms relating thereto
“Hong Kong Underwriters”	the several underwriters of the Hong Kong Public Offer listed in the paragraph headed “Hong Kong Underwriters” under the section entitled “Underwriting” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement relating to the Hong Kong Public Offer dated 12 September 2011 between, among others, our Company and the Hong Kong Underwriters
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not a director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company or any of our subsidiaries, or an associate (within the meaning of the Listing Rules) of any of such director, chief executive or substantial shareholder
“International Placing”	the conditional placing of the International Placing Shares (a) in the United States to qualified institutional buyers (as such term is defined in Rule 144A under the U.S. Securities Act) in reliance on Rule 144A under the U.S. Securities Act or another exemption from the registration requirement under the U.S. Securities Act, and (b) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act, including to professional investors in Hong Kong, as further described in the section entitled “Structure of the Global Offering” in this prospectus

DEFINITIONS

“International Placing Shares”	the 187,758,000 Shares being initially offered for subscription under the International Placing together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to adjustment as described in the section entitled “Structure of the Global Offering – The International Placing” in this prospectus
“International Underwriters”	the several underwriters of the International Placing
“International Underwriting Agreement”	the underwriting agreement relating to the International Placing expected to be entered into between, among others, our Company and the International Underwriters on or around 20 September 2011
“Jiajiang Tenfu”	夾江天福觀光茶園有限公司 (Jiajiang Tian Fu Tea Garden Co., Ltd.*), a limited liability company established in the PRC on 10 September 2002, which is engaged in the classification and packaging of tea leaves, manufacture of tea snacks, and sale of tea leaves, tea snacks and tea ware and wholly owned by Tenfu HK
“Jinan Tenfu”	濟南天福茗茶有限公司 (Jinan Tenfu Tea Co., Ltd.*), a limited liability company established in the PRC on 8 June 1999, which is engaged in the sale of the tea leaves, tea snacks and tea ware and wholly owned by Ten Rui HK
“Joint Sponsors”, “Joint Global Coordinators”, “Joint Bookrunners” or “Joint Lead Managers”	Credit Suisse, CICC and Polaris
“Latest Practicable Date”	9 September 2011, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of the Shares on the main board of the Stock Exchange
“Listing Date”	the date, expected to be on or around 26 September 2011, on which dealings in the Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)

DEFINITIONS

“Lu Yu”	陸羽茶藝股份有限公司 (Lu Yu Tea Artcraft Co., Ltd.*), a company incorporated on 24 August 1980 in Taiwan with limited liability, whose principal business is development and sale of tea ware in Taiwan and exclusively to Zhangzhou Tenfu in the PRC on a wholesale basis, and is wholly owned by Tensin Investment Corporation Limited (天欣投資股份有限公司), which is held as to approximately 31.25%, 10% and 6.25% by Mr. Lee Shih-Wei, Mr. Lee Chia Ling and Mr. Lee Rie-Ho, respectively, who are our Directors
“Memorandum of Association”	the memorandum of association of our Company
“Minhou Tianyuan”	閩侯天元茶業有限公司 (Minhou Tianyuan Tea Products Co., Ltd.*), a limited liability company established in the PRC on 23 October 1993 and wholly owned by Tenfu HK, and which is engaged in the classification and packaging of tea leaves and sale of tea leaves
“MOFCOM”	中華人民共和國商務部 (the Ministry of Commerce of the PRC)
“NDRC”	中華人民共和國國家發展和改革委員會 (the National Development and Reform Commission of the PRC)
“New EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), which came into effect 1 January 2008
“Non-competition Deed”	the deed of non-competition entered into between the Covenantors and the Company dated 31 August 2011 in respect of certain non-competition undertakings given by the Covenantors in favour of our Group
“Offer Price”	the final offer price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) which will be not more than HK\$6.80 and is expected to be not less than HK\$4.80, such price to be determined on or around 20 September 2011 or such later date as may be agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters) but in any event, not later than Thursday, 22 September 2011
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares
“Original Investors”	a group of 83 investors (19 of whom are related to Mr. Lee Rie-Ho, Mr. Lee Chia Ling or Mr. Lee Shih-Wei and 64 of whom are Independent Third Parties)

DEFINITIONS

“Over-allotment Option”	the option to be granted by our Company to the International Underwriters exercisable by Credit Suisse on behalf of the International Underwriters, pursuant to which our Company may be required to allot and issue up to 31,293,000 additional new Shares, representing 15% of the Shares initially available under the Global Offering at the Offer Price, to, among other things, cover over-allocations in the International Placing (if any) as further described in the section entitled “Structure of the Global Offering – The Over-allotment Option” in this prospectus
“Polaris”	Polaris Securities (Hong Kong) Limited, licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 3 (leveraged foreign exchange trading), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
“PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Tea Subsidiaries”	Minhou Tianyuan, Zhangzhou Tenfu, Zhangpu Tenfu and Jiajiang Tenfu
“Price Determination Date”	the date, expected to be on or around 20 September 2011 but not later than 22 September 2011, on which the Offer Price is fixed for the purpose of the Global Offering
“Relevant Covenantors”	Mr. Lee Rie-Ho, Mr. Lee Chia Ling, Mr. Lee Shih-Wei, Discerning Group Limited, Trackson Investments Limited and Tiger Nature
“Reorganisation”	the corporate reorganisation of our Group, details of which are set out in the section entitled “History, Reorganisation and Corporate Structure – Our Reorganisation” in this prospectus
“Retained Businesses”	the Retained Ten Ren Business, the Retained Manufacturing Business, the Retained Uncle Lee Business and the Retained Sales Business
“Retained Manufacturing Business”	the manufacturing and processing of tea leaves and tea products business conducted in the PRC by Samoa Company and its subsidiaries

DEFINITIONS

“Retained Sales Business”	the distribution and sale of tea ware business conducted in Taiwan by Lu Yu and its subsidiaries
“Retained Ten Ren Business”	the research and development, marketing and sale of tea leaves, tea snacks and tea ware business conducted in Taiwan under principally the “天仁” brand by Ten Ren and its subsidiaries and the franchising, marketing and sale of tea leaves, tea snacks and tea products business under the “天仁” brand in the United States and Canada by Ten Ren and its subsidiaries
“Retained Uncle Lee Business”	the business of marketing and sale of tea bags under the “Uncle Lee’s” brand by Uncle Lee’s Tea Inc. in North America and Europe
“RMB” or “Renminbi”	the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	中華人民共和國國家外匯管理局 (the State Administration of Foreign Exchange of the PRC)
“Samoa Company”	Tenfu Group (Samoa) Holdings Co., Ltd., a limited liability company incorporated in Samoa, which is engaged in the manufacturing and processing of tea leaves in the PRC through its PRC subsidiaries and wholly owned by Mr. Lee Chia Ling
“Samoa Group”	Samoa Company and its subsidiaries
“SAIC”	中華人民共和國國家工商行政管理總局 (the State Administration for Industry and Commerce of the PRC)
“SAT”	the State Administration of Taxation of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) with par value of HK\$0.10 each in the capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 17 December 2010, the principal terms of which are summarised under the paragraph headed “Share Option Scheme” in Appendix VI to this prospectus

DEFINITIONS

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into on or around the Price Determination Date between Credit Suisse and Trackson Investments Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Alliance Agreement”	the strategic alliance agreement entered into between our Company and Ten Ren on 8 September 2011, further details of which are set out in the section entitled “Relationship with Controlling Shareholders” in this prospectus
“subsidiary”	has the meaning ascribed thereto in the Companies Ordinance
“Super Giant”	Super Giant Holdings Limited, a company incorporated in the Commonwealth of the Bahamas on 25 February 2011, the entire issued share capital of which was ultimately owned by the Trustee as trustee of The WH Trust
“Taiwan Investment Commission”	the Taiwan Investment Commission of the Ministry of Economic Affairs of Taiwan
“Taiwan/Mainland Investment Regulations”	the Act Governing Relations between People of Taiwan Area and the Mainland Area, last amended in 2010, the Regulations Governing Approval of Investment or Technical Cooperation in the Mainland Area, last amended in 2010 and the Principles Governing Review of Investments or Technical Cooperation in the Mainland Area, last amended in 2008, laws of Taiwan
“Ten Ren”	Ten Ren Tea Co., Ltd. (天仁茶業股份有限公司), a company incorporated on 11 December 1975 in Taiwan and listed on the Taiwan Stock Exchange (Stock code: 1233), which is engaged in the blending and manufacturing of tea leaves, and the marketing and sale of tea leaves, tea snacks and tea ware in Taiwan
“Ten Rui BVI”	Ten Rui (B.V.I.) Holdings Company Limited (天瑞(維京群島)控股有限公司), an investment holding company incorporated in the British Virgin Islands on 19 August 2009, which is wholly owned by our Company

DEFINITIONS

“Ten Rui HK”	Ten Rui (Hong Kong) Sales Holdings Co., Limited (天瑞 (香港) 銷售控股有限公司), a limited liability company incorporated in Hong Kong on 7 March 2008, which is wholly owned by Ten Rui BVI
“Tenfu BVI”	Tenfu Holdings Company Limited (天福 控股有限公司), an investment holding company incorporated in the British Virgin Islands on 2 July 2009, which is wholly owned by our Company
“Tenfu HK”	Tenfu (Hong Kong) Holdings Co., Limited (天福 (香港) 控股有限公司), a limited liability company incorporated in Hong Kong on 17 August 2009, which is wholly owned by Tenfu BVI
“The KCL Trust”	a discretionary trust established by Mr. Lee Chia Ling on 12 April 2011, the beneficiaries of which include family members of Mr. Lee Chia Ling
“The WH Trust”	a discretionary trust established by Mr. Lee Rie-Ho on 12 April 2011, the beneficiaries of which include family members of Mr. Lee Rie-Ho, and as a result of transfer of the entire issued share capital in Discerning Group Limited from Super Giant to Mr. Lee Rie-Ho, which was completed on 2 September 2011, The WH Trust ceased to have interest in the Shares of our Company
“Tian Fu Industry”	漳浦天富實業有限公司 (Zhangpu Tian Fu Industry Co., Ltd.*), a limited liability company established in the PRC, which is engaged in the management of hotel and restaurant operations, and the sale of packaged foods. Tian Fu Industry is wholly owned by 福建天福投資有限公司 (Fujian Tian Fu Investment Company Limited*), and 福建天福投資有限公司 (Fujian Tian Fu Investment Company Limited*) is owned as to 44.67% by Mr. Zheng Zhi Yong (鄭志勇), as to 7.03% by Mr. Zhou Zhen Wang (周鎮旺), as to 23.63% by Mr. Huang Tie Zhi (黃鐵枝) and as to 24.67% by Mr. Huang Guo Hui (黃國輝). Mr. Zheng Zhi Yong and Mr. Zhou Zhen Wang are employees of the Group but none of these four shareholders are directors, substantial shareholders or chief executives of our Company or any of its subsidiaries
“Tianjin Tenfu”	天津市天福茗茶有限公司 (Tianjin City Tenfu Sales Co., Ltd.*), a limited liability company established in the PRC on 25 March 2009, which is engaged in the sale of tea leaves, tea snacks and tea ware and wholly owned by Ten Rui HK

DEFINITIONS

“Tiger Nature”	Tiger Nature Holdings Limited, a company incorporated in the Commonwealth of The Bahamas on 25 March 2011, the entire issued share capital of which is ultimately owned by the Trustee as trustee of The KCL Trust
“Track Record Period”	the three financial years ended 31 December 2010 and the three months ended 31 March 2011
“Trustee”	Credit Suisse Trust Limited, the trustee of The KCL Trust and The WH Trust
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories and possessions, and all areas subject to its jurisdiction
“US Tenren”	Ten Ren Tea and Ginseng Co., Inc (美國天仁茶業、人參股份有限公司*), a company incorporated in New York, United States on 21 September 1984, which is engaged in the sale of tea leaves, tea products and ginseng in the United States and is owned as to 35% by a nephew of Mr. Lee Rie-Ho and his spouse, 10% by Mr. Lee Kuo-Lin, our Director, 35% by three other relatives of Mr. Lee Rie-Ho and Mr. Lee Chia Ling and 20% by Independent Third Parties
“U.S. dollar” or “US\$”	United States dollar, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended
“White Application Form(s)”	the form of application for the Hong Kong Offer Shares for use by public applicants who require such Hong Kong Offer Shares to be issued in their own name
“White Form eIPO”	an application for Hong Kong Offer Shares to be issued in the applicant’s own name submitted online through the designated website of White Form eIPO www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited

DEFINITIONS

“Xiamen Apex”	廈門天峰貿易有限公司 (Xiamen Apex Trading Co., Ltd.*), a limited liability company established in the PRC on 29 May 2006, which is engaged in the development, marketing and sale of affordable to mid-end tea leaves through supermarkets in the PRC and wholly owned by our Company
“Yantai Tenfu”	煙台天福茶業有限責任公司 (Yantai Tenfu Tea Co., Ltd.*), a limited liability company established in the PRC on 27 August 1996, which is engaged in the sale of tea leaves, tea snacks and tea ware and wholly owned by Ten Rui HK
“Yellow Application Form(s)”	the form of application for the Hong Kong Offer Shares for use by public applicants who require such Hong Kong Offer Shares to be deposited directly into CCASS
“Zhangpu Tenfu”	漳浦天福觀光茶園有限公司 (Zhangpu Tian Fu Tea Garden Co., Ltd.*), a limited liability company established in the PRC on 17 November 1999, which is engaged in the operation of restaurant and wholly owned by Tenfu HK
“Zhangpu Tenfu Food Development”	漳浦天福食品開發有限公司 (Zhangpu Tianfu Food Development Co., Ltd.*), a limited liability company established in the PRC on 20 September 1993, which was engaged in the classification and packaging of tea leaves and tea products and was merged into Zhangzhou Tenfu on 27 December 2004
“Zhangpu Tenfu Tea Industry”	漳浦天福茶業有限公司 (Zhangpu Tianfu Tea Industry Co., Ltd.*), a limited liability company established in the PRC on 24 December 1998, which has changed its name to Zhangzhou Tenfu on 21 April 2004
“Zhangpu Tenfu Tea Museum”	漳浦天福茶博物館有限公司 (Zhangpu Tianfu Tea Museum Co., Ltd.*), a limited liability company established in the PRC on 8 May 2000, which was engaged in the classification, packaging of tea leaves (except green tea and special tea), and sale of tea products, tea ware and tea art. Zhangpu Tenfu Tea Museum was merged into Zhangzhou Tenfu on 27 December 2004
“Zhangpu Tenren Food Development”	漳浦天仁食品開發有限公司 (Zhangpu Tianren Food Development Co., Ltd.*), a limited liability company established in the PRC in October 1997, which was engaged in the classification and packaging of tea leaves and was merged into Zhangzhou Tenfu on 27 December 2004

DEFINITIONS

“Zhangzhou Tenfu” 漳州天福茶業有限公司 (Zhangzhou Tianfu Tea Industry Co., Ltd.*) (formerly known as Zhangpu Tenfu Tea Industry), a limited liability company established in the PRC on 24 December 1998, which is engaged in the classification and packaging of tea leaves, the manufacture of tea snacks, and sale of self-processed/produced tea leaves, tea snacks and tea ware and wholly owned by Tenfu HK

* *Denotes English translation of the Chinese names of companies, entities, laws or regulations vice versa and is provided for identification purposes only.*

In this prospectus, the terms “associate”, “connected person”, “connection transaction”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

GLOSSARY

The glossary of technical terms contains explanations and definitions of certain terms used in this prospectus in connection with us and our business. The terms and their meaning may not correspond to meanings or usage of these terms as used by others.

“black tea”	a fully fermented tea, prepared from tea leaves that have been allowed to oxidise, or ferment, to form a reddish brew
“branded traditional Chinese tea leaves”	tea leaves which are sold in packaged form under certain branding
“fermentation”	the process of oxidising tea leaves to make black and Oolong teas
“green tea”	a non-fermented, dried tea, traditionally found in the PRC and Japan
“HACCP”	Hazard Analysis and Critical Control Points, a systematic preventative approach to food safety that addresses physical, chemical and biological hazards as a means of prevention rather than finished product inspection. HACCP is used in the food industry to identify potential food safety hazards, so that key actions, known as Critical Control Points can be taken to reduce or eliminate the risk of the hazards being realised. The system is used at all stages of food production and preparation processes. HACCP principles have been promoted and incorporated into food safety legislation in many countries around the world
“ISO 22000:2005”	a standard developed by the International Organization for Standardization dealing with food safety. It specifies the requirements for a food safety management system that involves interactive communication, system management, prerequisite programmes and HACCP principles
“Oolong tea”	a partially fermented tea
“Pu’er tea”	a post-fermented tea that is produced from a broad green tea leaf most notably grown in Yunnan province, the PRC
“unbranded traditional Chinese tea leaves”	tea leaves which are sold in loose leaf form and without any pre-packaging

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business prospects;
- our future debt levels and capital needs;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic conditions of the PRC;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to reduce costs;
- our dividend policy;
- our production and capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- certain statements in the section entitled “Financial Information” in this prospectus with respect to prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

The words “anticipate,” “believe,” “could,” “expect,” “going forward,” “intend,” “may,” “plan,” “seek,” “will,” “would” and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. Such statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including those discussed in the section entitled “Risk Factors” in this prospectus. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our results of operations and financial condition may be materially and adversely affected and may vary significantly from those described herein as anticipated, believed or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realised.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation and do not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Because of these risks, uncertainties or assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Offer Shares. You should pay particular attention to the fact that all of our business is located in the PRC and we are governed by a legal and regulatory environment which in some respects may differ from that which prevails in other countries. Our business, financial condition and results of operations could be materially adversely affected by any of these risks. The trading price of our Shares could decline due to any of these risks and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We have been, and may continue to be, substantially dependent on revenue from the sale of our tea leaves. A decline in the sales or profitability of tea leaves could materially and adversely affect our business, financial condition and results of operations.

Sales of tea leaves accounted for approximately 68.3%, 72.4%, 70.3% and 71.6% of our total revenue for the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, respectively. We expect to continue to derive a majority of our total revenue from the sale of tea leaves for the foreseeable future. Our business will therefore remain highly sensitive to the demand for, and the profitability of, tea leaves. Any event or circumstance that adversely affects the sales or profitability of tea leaves, such as a decline in demand, increasing competition, pricing pressure or regulatory restrictions on the sale of tea leaves or related advertising activities, may materially and adversely affect our revenue and overall results of operations.

If we fail to effectively market and promote our brands, in particular our Tenfu brand, our business, financial condition and results of operations may be materially and adversely affected.

We believe that brand recognition plays an important role in influencing consumers' decisions in purchasing our products and that our Tenfu brand is critical to the success of our business. Revenue generated from the sales of products under the Tenfu brand accounted for approximately 85.6%, 85.5%, 88.2% and 88.9% of our total revenue in the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, respectively. Furthermore, as we continue to expand our retail sales network, our ability to market and promote our brands, particularly our Tenfu brand, will become even more critical to the success of our business. We enhance our brand awareness through various channels and methods, including placing advertisements on public transport and inflight magazines, marketing via motion media shown in public transport, and placing T-bar advertisements and advertising through television in the PRC. For further details, please see the section entitled "Business – Marketing" in this prospectus. In addition, we require our third-party retailers and their respective retail outlets and retail points to strictly follow our product display policy to ensure easy and consistent identification of our brands and products by customers.

We cannot assure you that our marketing and promotional activities will remain effective. If we fail to successfully market or promote our brands, our brand recognition and our revenue may be adversely affected, and the demand for our products may decline or fail to increase as we expected. If our brands are tarnished in any manner, we may lose our competitive advantage and our business, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

Our recent revenue growth has been mainly attributable to our strategy of expanding our retail sales network and increasing the number of our self-owned retail outlets and retail points. We may be unable to maintain our recent revenue growth if this strategy is not as successful as we expect.

Our revenue increased by RMB190.6 million, or 70.9%, to RMB459.6 million in the three months ended 31 March 2011 compared to RMB269.0 million in the three months ended 31 March 2010 and increased by RMB554.3 million, or approximately 80%, from RMB692.7 million in 2009 to RMB1,247.0 million in 2010. Our recent revenue growth has been mainly attributable to our strategy of expanding our retail sales network in particular by increasing the number of our self-owned retail outlets and retail points. As of 31 March 2011, our tea products were sold in 1,062 retail outlets and retail points in the PRC, comprising 453 self-owned retail outlets and retail points and 609 third-party owned retail outlets and retail points, compared to 75 self-owned retail outlets and retail points and 837 retail outlets and retail points owned by third-party retailers as of 31 December 2009, and six self-owned retail outlets and 870 retail outlets and retail points owned by third-party retailers as of 31 December 2008. We plan to achieve a net increase of approximately 150 retail outlets and retail points per year in the next five years, including both self-owned and third-party owned retail outlets and retail points. We may also continue to purchase retail outlets and retail points from third-party retailers if we decide that it is desirable to do so in the future.

We may be unable to maintain our recent revenue growth if this strategy is not as successful as we expect. The expertise required to manage an expanded network of self-owned retail outlets and retail points is different from the expertise required to sell our products to a network composed primarily of third-party retailers. Going forward, the success of our retail expansion plan is subject to numerous factors including the following:

- the availability of adequate management and financial resources;
- the availability of suitable locations for the development of new retail outlets and retail points;
- our ability to maintain and enhance relationships with third-party retailers, customers, suppliers, banks and other third parties;
- our ability to negotiate favourable terms with real estate owners for the leasing of store premises and our network of third-party retailers from whom we may purchase selected retail outlets;
- our ability to hire, train and retain skilled personnel to manage our expanded retail network;
- the adaptation of our logistics and operational and management systems to an expanded retail sales network; and
- our ability to obtain, in a timely manner or at all, appropriate governmental licences and permits to establish new self-owned retail outlets and retail points.

RISK FACTORS

Our expansion plan may impose liquidity constraints on our business, and our self-owned retail outlets and retail points may not perform as well as we anticipate. Furthermore, we may fail to anticipate and address competitive conditions in the newly expanded retail sales network that may be different from those in our existing markets. For example, as overall sales of tea leaves, tea snacks and tea ware in certain markets reach relatively high levels, the sales of our products in those markets may not grow as fast as anticipated. Accordingly, we may not be able to achieve our expansion goals or effectively integrate new retail outlets and retail points into our existing network. As a result, we may be unable to achieve our expansion goals, and our recent operating results, or our recent growth may not be indicative of our future performance.

Furthermore, in 2010, in addition to the credit terms of up to 180 days, we normally collected trade receivables of 180 days to 330 days after the end of the credit term of 180 days from certain third-party retailers with long-standing relationships to encourage them to open new stores or to maintain the presence of their stores in strategically important regions. However, we may not continue to extend the additional period to certain third-party retailers for various reasons, which may in turn adversely affect our expansion plans. If we encounter difficulties in expanding our retail sales network successfully, our growth prospects may be impacted, which could in turn have a material adverse effect on our business, financial condition and results of operations. Therefore, our past financial performance should not be used as an indicator for our future financial performance.

Our operations are capital intensive, and our business could be adversely affected if we fail to maintain a sufficient level of working capital.

Our operations are capital intensive. For the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, our cost of sales was RMB314.9 million, RMB389.3 million, RMB557.3 million and RMB180.0 million, respectively. We expended RMB52.0 million, RMB28.9 million, RMB99.5 million and RMB93.0 million, respectively, in the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011 for capital expenditures. We generally enjoy credit terms of 30 days up to 60 days upon the receipt of invoice from the suppliers. However, we typically allow sales on longer credit terms. For example, starting from 2011, our third-party retailers are generally provided with credit terms of up to 140 days in our ordinary course of business. We fund most of our working capital requirements out of cash flow generated from operations and bank borrowings. If we fail to generate sufficient revenues from our sales, or the bank borrowings are not available to us, or if we experience difficulties collecting our trade receivables, we may not have sufficient cash flow to fund our operation or our expansion strategy, and our business, financial condition and results of operations could be materially and adversely affected.

If we fail to integrate acquired retail outlets and retail points effectively, or if the acquired retail outlets and retail points do not perform as expected, we may not be able to realise the benefits envisioned for such acquisitions, and our overall profitability and growth plans may be adversely affected.

Our ability to successfully integrate an acquired retail outlet and realise the benefits of any acquisition requires, among other things, successful integration of such outlet and its personnel into our operations in a timely and efficient manner. We believe that the primary value of many potential targets in the industries in which we operate lies in their experienced personnel and established retail sales network. Integrating personnel from different corporate cultures and values as well as integrating acquired retail sales networks into our sales network may be challenging. These difficulties and challenges could disrupt our ongoing business, distract our management and current

RISK FACTORS

employees and increase our expenses, which, in turn, could make it more difficult and complex for us to effectively manage our operations. Acquired assets or businesses may not produce or deliver the benefits we expect.

We may not be able to renew any of the existing leases or concession agreements for our retail outlets or retail points.

As of 31 March 2011, we leased the premises on which 351 out of our 354 self-owned retail outlets are located and we operated all of our 99 self-owned retail points by entering into concession agreements with department stores and hypermarkets containing revenue sharing terms. As a result, it is important for us to maintain our existing leases and concession agreements. In the event that any of our leases or concession agreements are terminated for any reason prior to their expiration or that we are unable to renew the leases or concession agreements upon their expiry on terms acceptable to us, we will have to relocate the relevant retail outlets or retail points to alternative premises. Relocation of any part of our retail sales or retail points network may cause disruptions to our business and require significant expenditures, and we cannot assure you that in such a case, we will be able to find suitable premises on commercially reasonable terms in a timely manner, or at all.

The terms of our leases generally range from three to five years. Sixty-eight of the existing leases for our self-owned retail outlets with an aggregate gross floor area of approximately 6,300 square meters, which account for approximately 10% of the total gross floor area of all leases held by our sales subsidiaries for our self-owned retail outlets, will expire by the end of 2011. Ninety-six of the existing leases for our self-owned retail outlets with an aggregate gross floor area of approximately 16,300 square meters, which account for approximately 26% of the total gross floor area of all leases held by our sales subsidiaries for our self-owned retail outlets, will expire in 2012. All our self-owned retail points are operated on a concession basis and the terms of the concession agreements generally range from five to 13 months. Upon expiration of the lease or concession agreement for any of our retail outlets or retail points, we will need to renegotiate the terms and conditions on which the lease or concession agreement may be renewed. We cannot assure you that we will be able to renew the lease or concession agreements with favorable or otherwise acceptable terms and conditions, in particular those regarding the rent or concession fees. We may need to seek alternative sites to relocate the relevant retail outlets and retail points in question. We cannot assure you that such alternative sites will be at comparable locations or can be leased on comparable terms.

If any of our leases for retail outlets or concession agreements for retail points are terminated or not renewed and we are not able to find suitable premises on commercially acceptable terms, it could have a material adverse effect on our business, financial condition and results of operations.

Some of the properties leased or occupied by us have title or ownership irregularities.

We hold a granted land use right certificate for a parcel of land with a site area of 15,831 square meters on which office buildings, workshops, dormitories and other ancillary facilities are located, but we have yet to sign any contract for the grant of land use right, nor have we paid any land premium for the parcel of land. In addition, we have not paid the full amount of the relevant land premium (with a shortfall of approximately RMB15.5 million) for a total 12 parcels of land with an aggregate site area of approximately 126,870 square meters on which multiple-use buildings, villas, museum, workshops, dormitories and other ancillary facilities are located. If we are required to pay the land premium or the shortfall of the premium in respect of such land, our business, financial condition and results of operations may be adversely affected.

RISK FACTORS

We have legally obtained the land use right certificates for two parcels of land with an aggregated site area of approximately 22,642 square meters on which office buildings, workshops, warehouses and other ancillary facilities are located. However, the land is located in an area upon which an educational facility is proposed to be constructed in the future, and as a result, we are at the risk of being required to return such land to the PRC government and may be unable to continue to use such land in the future. We have been in negotiations with the relevant authority regarding the possibility of such a reclamation and were advised that there was no plan at present to reclaim such land for the construction of the educational facility.

As of the Latest Practicable Date, we had not completed the building construction procedures with relevant governmental authorities, nor did we possess any valid title certificates for some of our self-owned buildings with an aggregated gross floor area of approximately 9,300 square meters, which are mainly used by us as dormitory, tourism facilities, ancillary facilities and storage facilities and account for approximately 5.7% of the total aggregate gross floor area of our self-owned buildings. We may be subject to administrative penalties, such as being ordered to demolish such buildings or pay fines.

As of the Latest Practicable Date, for the land with an aggregated site area of approximately 325,100 square meters we leased, our landlords do not possess valid title certificates for such land, or such land is allocated or rural collective-owned land. Two gas stations, sightseeing facilities and ancillary facilities are situated on such leased land. We may be unable to continue to occupy and use such land in the future.

As of the Latest Practicable Date, we leased three building complexes, two gas stations, two automobile maintenance facilities and eight ancillary buildings with an aggregate gross floor area of approximately 14,121.86 square meters, which lack valid title certificates and are located on allocated land or land without land use right certificates. These buildings are leased by us for expressway related services in Jiayang, Sichuan province, and our restaurant in Zhangpu, Fujian province, which do not form part of our core business. In addition, our sales subsidiaries leased the premises for 86 of our self-owned retail outlets, in respect of which the lessors lack the relevant title certificates or refuse to provide the relevant title certificates to us, or are not permitted by the owners of buildings to sub-lease such premises to us, or refuse to provide documents evidencing such permission to us. We cannot assure you that no third party will seek to assert its ownership rights against us or our lessors in the future. Should disputes arise due to title encumbrances on such properties, we may encounter difficulties in leasing or occupying such properties, and we may be required to relocate. Furthermore, we may not be able to find suitable alternative premises or have to relocate to less desirable locations. If any of these events occurs, our business may be materially and adversely affected.

In addition, as of the Latest Practicable Date, 202 of the leases with respect to our leased properties had not been registered with the relevant government authorities. We are in the process of applying for the registration of such leases, to the extent that the relevant authorities accept such registration. According to our PRC legal advisors, the relevant government authorities may require us to apply for such registrations within a stipulated time. If we fail to do so, we may be liable for a fine ranging from RMB1,000 to RMB10,000 per incident.

Please see the section entitled “Business – Properties” in this prospectus for further details about our properties.

RISK FACTORS

If we cannot find suitable locations for our retail outlets and retail points on commercially acceptable terms, our growth prospects may be adversely affected.

Our future performance will depend, to a significant extent, on the location of our self-owned retail outlets and retail points. When selecting a site for a retail outlet or retail point, we take into account various factors, such as:

- whether it is located in a prime shopping district in a city with strong growth prospects;
- its convenience and accessibility to our target consumer demographics;
- the expected customer traffic;
- the size of available space and whether adjoining land would be available or suitable for future development; and
- the level of competition.

The supply of retail space in prime locations is limited, and as a result, the competition to secure these properties is intense. Our ability to purchase or lease suitable properties on terms acceptable to us will be critical to the success of our expansion plan. We cannot assure you that we will be able to identify and purchase or lease suitable properties on terms commercially acceptable to us. Moreover, our competitors may secure prime locations earlier and quicker than us. In the event that we encounter difficulties in securing suitable retail sites, our growth prospects may be adversely affected.

Our revenue has been, and may continue to be, significantly dependent on sales in certain geographic markets in the PRC.

In 2010, revenue derived from sales (including sales to ultimate consumers by our self-owned retail outlets and retail points and our wholesales to third-party retailers) from our three largest geographic markets, Fujian, Shandong and Beijing, accounted for 29.6%, 9.9% and 8.5% of our total revenue, respectively. We are likely to continue to rely on our retail sales network in these three largest markets for the foreseeable future. Our sales in these geographic markets could be negatively affected by a number of factors, including general economic conditions, demand for our products, adverse publicity relating to our products, local competition, or restrictions on the marketing or sales of our products in these markets due to local regulatory rules or decisions. Any significant decline in our sales or profitability from these geographic markets, due to the above factors or otherwise, could materially and adversely affect our results of operations.

Failure to develop and introduce new tea products or gain market acceptance of our new tea products could have a negative effect on our business.

The future growth of our business is dependent on our ability to successfully bring new tea products to market and grow sales from those new products. We intend to develop and introduce more new tea products into the market.

RISK FACTORS

The success of our new tea products depends on a number of factors including our ability to accurately anticipate changes in market demand and consumer preferences, our ability to differentiate the quality of our products from those of our competitors, and the effectiveness of our marketing and advertising campaigns for our new tea products. We may not be successful in identifying trends in consumer preferences and developing new products that respond to such trends in a timely manner. We also may not be able to effectively promote our new tea products by our marketing and advertising campaigns and gain market acceptance.

If our new tea products fail to gain market acceptance, are restricted by regulatory requirements, or have quality problems, we may not be able to fully recover our costs and expenses incurred in the product development and marketing process, and our business prospects, financial condition and results of operations may be materially and adversely affected.

Conversely, if some of our products become more popular than we anticipate, resulting in a substantial increase in demand, we may be unable to accommodate such demand to the extent it exceeds our ability to process and distribute such products, which could adversely affect our market reputation and business prospects.

Any significant default on our trade and other receivables could materially and adversely affect our liquidity, results of operations and financial position.

We generally allow sales on credit. Our trade and other receivables balances were RMB254.0 million, RMB402.2 million, RMB354.1 million and RMB191.8 million as of 31 December 2008, 2009 and 2010 and 31 March 2011, respectively. If a significant number of third-party retailers to whom we have allowed sales on credit were to become insolvent or otherwise unable or unwilling to settle their outstanding receivables in a timely manner, or at all, our liquidity could be materially and adversely affected, and we may have to write off receivables or increase provisions against receivables, which could materially and adversely affect our liquidity, results of operations and financial position.

Our gross profit margin may not be sustainable.

For the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, our gross profit margin was 44.9%, 43.8%, 55.3% and 60.8%, respectively. We believe the increases in our gross profit margins are primarily attributable to the expansion of our retail sales network, in particular the expansion of our self-owned retail outlets and retail points, because the gross profit margins derived from sales to ultimate consumers are higher than those from sales made through third-party retailers, as sales to ultimate consumers do not include the discount offered to the third-party retailers. For further information, please see the section entitled “Financial Information – Description of Principal Income Statement Items – Revenue” in this prospectus. As market condition changes and we make significant expenditures in the expansion of our business, our gross profit margin may be adversely impacted. For example, our profitability for future fiscal years may be negatively affected by low-margin sales and competition strategies adopted by our competitors, increasing costs of raw materials, increasing selling and distribution costs arising from the expansion of our retail sales network and increasing advertising expenses. As a result, our gross profit margin may not be sustainable.

RISK FACTORS

We have historically depended on sales to our third-party retailers (including regional third-party retailers prior to March 2011) for most of our revenue, and third-party retailers are expected to remain important in our sales network. If the third-party retailers are not able to operate successfully or we fail to maintain good relationships with such parties, our business, financial condition and results of operations could be materially and adversely affected.

Our third-party retailers have historically been important to our business because they have helped us gain access to retail outlets and retail points through their business relationships. For the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, revenue from our third-party retailers (including regional third-party retailers for the time prior to March 2011) accounted for 84.2%, 81.3%, 32.0% and 28.3%, respectively, of our total revenue. Since 2008, we have acquired a number of retail outlets and retail points from third-party retailers. However, we expect that retail outlets and retail points operated by third-party retailers will remain important in the expansion of our retail sales network.

Our third-party retailers may not be able to market and sell our products successfully or maintain their competitiveness as a result of various factors. For example, like us, our third-party retailers may not be able to find suitable locations to operate retail outlets and retail points, and they may not be able to renew their leasing contracts with lessors upon expiration, both of which may adversely affect our third-party retailers' operations and competitiveness. If the sales volumes of our products to the consumers are not maintained at a satisfactory level, our third-party retailers may not place orders for new products with us, or they may reduce orders or ask for discount on the purchase price. The loss of our third-party retailers, or reduced orders from them, could adversely affect our access to consumers and our sales volume and revenue. For more information relating to the movement in the number of our third-party retailers during the Track Record Period, please see the section entitled "Business – Our Sales Network" in this prospectus.

If we fail to successfully maintain our relationships with a significant number of third-party retailers in a particular territory or our third-party retailers fail to operate successfully, our ability to effectively sell our products in that territory could be negatively impacted. These and similar actions could also negatively affect our corporate and product image, possibly resulting in loss of customers and a decline in sales.

In addition, our self-owned and third-party owned retail outlets and retail points selling the same products at uniform retail prices may result in marketing overlaps, cannibalisation or even competition among these retail outlets and retail points. This in turn could result in lower revenue per retail outlet or retail point. We cannot assure you that the expansion of our sales network will continue to be successful or will generate income as expected.

We have limited control over the actions and practices of the third-party retailers and their respective retail outlets and retail points, and their actions and practices may harm our brand image, reputation and the competitiveness of our products or otherwise negatively affect our business prospects and results of operations.

We have historically sold most of our products through the third-party retailers (including regional third-party retailers prior to March 2011) who in turn sell our products through a network of retail outlets and retail points. As of 31 March 2011, we had 609 third-party owned retail outlets and retail points in various provinces, autonomous regions and municipalities in the PRC. Due to the large number of the third-party retailers and their respective retail outlets and retail points, it is difficult to monitor their practices. Furthermore, we did not enter into written product distribution

RISK FACTORS

contracts with the third-party retailers. As a result, we historically had limited control over the third-party retailers and their respective retail outlets and retail points at which they sold our products. Beginning in 2011, we enter into written agreements with the third-party retailers and require them to sell our products to consumers at our fixed retail prices. However, we cannot give any assurance that our third-party retailers sell our products at fixed retail prices. Failure to adhere to the contractually-mandated price levels may result in price fluctuation and adversely affect the sales of our products, which may in turn materially and adversely affect our results of operations.

Our third-party retailers and their respective retail outlets and retail points may fail to meet any minimum sales targets that we set for them. They may also fail to follow our product display policy or fail to carry out promotional activities as agreed with us. If any of our third-party retailers and their respective retail outlets and retail points deviate from our product display policy, pricing policy or other requirements, our brand image, reputation and consumers' perception of our products could be tarnished, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, if a significant number of third-party retailers are penalised by the relevant government authorities with, for example, fines, confiscation of income or, in some serious cases, termination of business, due to their failure to comply with applicable laws, we may have to terminate our relationships with such third-party retailers, and our results of operations and financial condition could be adversely affected.

We may not be able to accurately track the sales and inventory levels of the third-party retailers and their respective retail outlets and retail points, which could cause us to predict sales trends incorrectly.

Our third-party retailers may be unable or unwilling to provide us with information in relation to their inventory levels and daily sales in a timely manner, or at all. As we do not control the inventory and sales data belonging to our third-party retailers, we rely on information provided to us by our third-party retailers. As a result, our ability to accurately track the sales of our products by and the inventory level at the third-party owned retail outlets and retail points is limited. Our sales to third-party retailers may not be reflective of actual sales trends to consumers, and we may not be able to timely gather sufficient information and data regarding the market acceptance of our products and consumers' preferences for our products. Failure to accurately track sales and inventory levels of our third-party retailers and their respective retail outlets and retail points and timely gather market information may cause us to incorrectly predict sales trends and impede us to quickly align our marketing and product strategies to market changes.

We rely on six major logistics companies for the delivery of substantially all of our products to self-owned and third-party owned retail outlets and retail points.

We rely on six major logistics companies for the distribution and transportation of substantially all of our products. The services provided by these logistics companies could be suspended and could cause interruption to the supply of our products to the market due to unforeseen events. Delivery disruptions may occur due to various reasons beyond our control including poor handling by the logistics companies, transportation bottlenecks, natural disasters and labour strikes, and could lead to delay in delivery or loss of our products. We could also have commercial disagreements with these logistics companies. If our products are not delivered on time, or are damaged during transportation, the sale of our products, our business and our reputation could be materially and adversely affected.

RISK FACTORS

In the event that the logistics companies we have engaged are unable or refuse to deliver our products, we may not be able to replace them with suitable alternatives on commercially reasonable terms, or in a timely manner, or at all, which could have an adverse effect on our results of operations and financial condition. Moreover, in the event of any material increase in the logistics costs, given that we have limited control over the price at which our third-party retailers and customers are willing to purchase our products, our results of operations may be materially and adversely affected if we are unable to pass on such increased costs to our customers or third-party retailers.

Our operations rely on various trade secrets and know-how, and our ability to compete could be harmed if any of such trade secrets and know-how is disclosed to third parties.

We rely on various know-how and proprietary information which constitutes trade secrets. We have generally entered into confidentiality agreements with our relevant personnel who have knowledge of our confidential information, and our employee handbook sets forth the employee's obligation to keep confidential our trade secrets and know-how. We are entitled to terminate the employment of any employee who materially breaches his or her obligations under the employee handbook. While we use reasonable efforts (including the foregoing measures) to protect our trade secrets and know-how, our employees, suppliers, contractors or other advisers may unintentionally or wilfully disclose our trade secrets and know-how to our competitors. Moreover, even if we were to obtain a judgement against the violating party, the judgement may be insufficient to remedy the harm done to us by the disclosure and we may face difficulty enforcing such judgement in the PRC.

The confidentiality agreements described above might not provide meaningful protection for our trade secrets and know-how in the event of unauthorised use or disclosure. If our trade secrets and know-how are obtained by a competitor or another third party, we may lose our market share, and our business, financial condition and results of operations may be materially and adversely affected.

Failure to protect our intellectual property rights could undermine our competitive position, and litigation to protect our intellectual property rights may be costly and ineffective.

We consider our trade secrets, trademarks, trade names, patents and other intellectual property important to our business. From time to time, our intellectual properties may have been used or infringed by third parties. Preventing intellectual property infringement, particularly in the PRC, is difficult, costly and time-consuming, and continued unauthorised use of our intellectual properties by unrelated third parties may damage our reputation and brand image. The measures we take to protect our trademarks, patents, trade secrets and other intellectual property rights may not be adequate to prevent unauthorised use by third parties. If we are unable to adequately protect our trademarks, patents, trade secrets and other intellectual property rights, we may lose these rights, our brand image may be harmed, and our competitive position and business may suffer.

RISK FACTORS

We may face intellectual property infringement claims by third parties, which could disrupt our business, cause substantial legal costs, and damage our reputation.

We have been involved in intellectual property infringement disputes, in which the counterparties claim that we have infringed their intellectual property rights. In addition, during the Track Record Period, Xiamen Apex was selling products under the Ten Sin (天心) trademark, the registration of which expired on 6 July 2004. Xiamen Apex may be subject to third party claims for the use of such brand during the Track Record Period.

We cannot assure you that our products will not infringe any intellectual property rights held by third parties in the future. We may face claims of infringement of third parties' proprietary rights or claims for indemnification resulting from infringement arising from our products. In addition, we may be unaware of intellectual property registrations or applications relating to our products or business operations that may give rise to potential infringement claims against us. There may also be technologies licensed to and relied on by us that are subject to infringement or other corresponding allegations or claims by third parties. We are subject to additional risks as a result of our recent and future acquisitions of retail outlets and retail points and the hiring of our current and new employees, especially those that were previously employed by our competitors, who may misappropriate intellectual properties from their former employers.

Parties making infringement claims may be able to obtain an injunction to prevent us from delivering our products or using relevant technology. Intellectual property litigation is expensive and time-consuming and could divert management's attention from our business. A successful infringement claim against us could, among others things, make us to pay substantial damages, develop non-infringing technology, or enter into royalty or license agreements that may not be available on acceptable terms, if at all, and cease manufacturing, selling or using products that have infringed a third party's intellectual property rights. Any intellectual property claim or litigation, regardless whether we ultimately win or lose, could damage our reputation and have a material adverse effect on our business, results of operations or financial condition.

The registration of certain trademarks and patents in the PRC are still pending and may not be approved.

We have obtained notices of acceptance from the Trademark Office of the State Administration for Industry and Commerce of the PRC* (國家工商行政管理總局商標局) and the State Intellectual Property Office of the PRC* (國家知識產權局), respectively, for various trademarks and patents applications, including the Tenfu Ten Xin (天福天心) trademark applications. For further details, please see the section entitled "Statutory and General Information – Intellectual Property Rights of the Group" in Appendix VI to this prospectus. We have been advised by our PRC legal advisers that under PRC law, patents must be registered with the relevant government authority in the PRC so as to be protected by the relevant law. As at the Latest Practicable Date, no objection had been received from the relevant PRC authority or from any third parties with respect to such applications or our use of those trademarks or patents, and none of our Directors is aware of any threatened or pending claims by any third parties against us for the use of such trademarks or patents. However, we might not successfully register these trademarks and patents, and our continued use of such trademarks and patents might infringe upon intellectual property rights of third parties.

RISK FACTORS

Should we fail to register any of the trademarks and patents under application, or we are held by any court or tribunal to be infringing upon or have infringed upon any trademarks and patents or intellectual property rights of others, our reputation and brand image could be materially and adversely affected, which could in turn materially and adversely affect our business, financial condition, results of operations and prospects.

Our success and business operations are largely dependent on certain key personnel and our ability to attract and retain talented personnel.

Our future success depends heavily on the continued services of our senior executives, technical personnel and other key employees. In particular, we rely on the expertise, experience and leadership of Mr. Lee Rie-Ho, our founder, Chairman and President, who plays a vital role in our operation, Mr. Lee Chia Ling, our executive Director and Chief Executive Officer, Mr. Lee Kuo-Lin, our executive Director and Chief Operating Officer and Mr. Lee Shih-Wei, our executive Director and Vice Chairman. On average, these members of our senior management have over 20 years of experience in the tea industry. We do not maintain key man insurance for any of our key personnel. If one or more of our senior executives or other key employees are unable or unwilling to continue in their present positions, we may not be able to replace them promptly, or at all, which may severely disrupt our business and affect our results of operations and future prospects. Moreover, we may not be able to attract or retain skilled employees or key personnel. The competition for qualified personnel in the PRC may also drive up our labour costs, which would in turn increase our costs of operations and affect our profitability. In such circumstances, our business, financial condition and results of operations may be materially and adversely affected.

Any disruption to the supply of, any increase in the prices of, or any quality or safety problems in relation to, our raw materials could adversely affect our production, revenue and profitability.

Our business requires a number of key raw materials and other ingredients including packaging materials. In particular, we rely on our suppliers to supply us with tea leaves. Some of the raw materials used in our products are imported and may be subject to various PRC governmental permit requirements, approval procedures and import duties, and may also, from time to time, be subject to export controls and other legal restrictions imposed by foreign countries. We imported tea ware, tea leaves and machinery from Taiwan during the Track Record Period. For the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, we imported these raw materials and machinery from Taiwan with a total purchase cost of RMB7.8 million, RMB11.0 million, RMB40.2 million and RMB9.3 million, respectively. In addition, we imported raw materials for tea snacks and machinery from the United States. For the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, we imported such materials from the United States with a total purchase cost of RMB0.5 million, RMB0.3 million, RMB0.3 million and zero, respectively. In connection with such imports, we paid RMB0.9 million, RMB1.6 million, RMB4.7 million and RMB0.8 million import duties for the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, respectively.

RISK FACTORS

We may experience shortages in the supply of certain raw materials in the future due to various unforeseen events including detrimental climate conditions such as snow storms, heavy rains and droughts, which could materially and adversely affect our production and results of operations. If any supplier is unwilling or unable to provide us with high quality raw materials in required quantities and at acceptable prices, we may be unable to find alternative sources at commercially acceptable prices, on satisfactory terms, in a timely manner, or at all. Our inability to find or develop alternative sources could result in delays or reductions in production, product shipments or a reduction in our profit margins.

We also cannot assure you that our suppliers will not intentionally or inadvertently contaminate our raw material supplies or provide us with substandard raw material supplies that adversely impact the quality of our products. Some of the raw materials we use in our production may contain harmful chemicals or substances of which we are not aware and may cause undesirable side effects or injuries to our consumers. If we experience any quality or safety problems in relation to our raw materials, our product quality may be adversely affected, our products may have to be recalled from the market and/or we may be subject to product liability claims. As advised by our PRC legal advisers, we are entitled to bring claims against the relevant supplier for damages in such event pursuant to applicable PRC laws and the relevant supply contract. However, we cannot assure you that we will be able to obtain a judgment in favour of us, which may in turn materially and adversely affect our competitive position, reputation and business results.

Furthermore, we are vulnerable to increases in the prices of raw materials. The prices for our raw materials are determined principally by market forces and our bargaining power vis-à-vis our suppliers. For a discussion of changes in our raw material prices during the Track Record Period, please see the section entitled “Financial Information – Significant Factors Affecting Our Results of Operations and Financial Condition – Costs of Inventory” in this prospectus. Raw material prices may fluctuate as a result of inflation or climate changes in the future. We may not be able to offset all price increases by raising the prices of our products. Moreover, we may lose our competitive advantage if the prices of our products increase significantly. If the prices of raw materials increase in the future and we cannot pass on such increases to our third-party retailers and/or our consumers, we may not be able to maintain our current gross profit margins, and our business, financial condition and results of operations may be materially and adversely affected.

We engage external suppliers to plant, manufacture and blend tea leaves and supply them in finished form. Any disruption to the supply of or unfavourable changes in the prices or quality of tea leaves in finished form that we source from these external suppliers could have a material adverse effect on our results of operations.

Mr. Lee Rie-Ho, one of our Founding Members and indirect shareholders, Mr. Lee Shih-Wei, our Director and a shareholder, and Mr. Lee Kuo-Lin, our Director, are Taiwanese residents. Pursuant to Taiwanese law, Taiwanese individuals are not allowed to make investments in the PRC for the purpose of engaging in the business of planting, manufacturing or blending tea leaves. As a result, we purchase tea leaves in finished form from external suppliers and then sort and package these tea leaves before selling them through self-owned and third-party owned retail outlets and retail points. We expect to continue to conduct our business in this model for as long as the prohibition exists under the applicable Taiwanese law. As we believe that our business will continue to grow in the future, we expect that our reliance on external suppliers will increase accordingly.

RISK FACTORS

We also procure tea leaves produced and blended according to specifications from the PRC subsidiaries of Samoa Company, which is in turn controlled by Mr. Lee Chia Ling. During the three years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, our purchase of tea leaves from Samoa Group accounted for 8.7%, 18.3%, 14.4% and 19.0% of our total raw materials purchase, respectively. For further details, please see the section entitled “Relationship with Controlling Shareholders – Independence from Our Controlling Shareholders” in this prospectus. We entered into an exclusive purchase agreement with Samoa Company, under which all of tea leaves produced and blended by these companies must be sold to us. However, in the event that the supply is disrupted as a result of any of the factors beyond our control, we may not be able to secure substitute suppliers in a timely manner, which may adversely affect our business, financial condition and results of operations.

If our external suppliers experience problems in their production or supply of tea leaves in finished form to us, including production delays or quality control problems, we may experience problems in delivering sufficient quantities of high-quality tea leaves to self-owned and third-party owned retail outlets and retail points. Quality problems with supply of tea leaves could result in our being required to recall tea leaves previously despatched or delaying the delivery of tea leaves. In addition, the market demand for our products may decrease, resulting in a decrease in our market share and damage to our reputation. Any of these scenarios could have a material adverse effect on our business, financial condition and results of operations and prospects.

Save as disclosed above, we do not enter into exclusive supply agreements with our external suppliers. We also purchase tea leaves in finished form by entering into agreements which set out the price, purchase quantity, delivery terms and settlement terms. We cannot assure you that our existing external suppliers will continue to accept our purchase orders on the same or similar terms as they have in the past, or at all. We also cannot assure you that we would be able to find alternative external suppliers to supply the same or similar types, qualities and quantities of tea leaves in finished form if our existing suppliers substantially reduce their volume of supply to us or terminate their business relationships with us. If we were to lose a significant number of our external suppliers, and were unable to find suitable new suppliers to replace them, our financial condition and results of operations would be materially and adversely affected.

We engage external manufacturers for the production of tea ware. If these external manufacturers fail or refuse to meet our demand or to deliver the products to us in a timely manner, we may not be able to replace them with suitable or other reliable sources of supply in a timely manner, and this may disrupt our business.

We engage external manufacturers for the production of certain tea ware. We believe that engaging external manufacturers allows us to focus on our core business and to reduce capital investment and costs. We have selected these external manufacturers based on their product quality, production equipment, relevant experience and requisite licenses. For further details, please see the section entitled “Business – Raw Materials Procurement and Suppliers” in this prospectus.

RISK FACTORS

Problems with any of our external manufacturers' production facilities or processes could result in product defects or failure to produce an adequate number of tea ware meeting our quality standards. Should such an event occur, we could be required to recall products previously despatched, delay the delivery of some of our tea ware products, or be unable to supply some of these products at all. Defects or poor quality of tea ware products produced by external manufacturers could also adversely affect our reputation and brand image. Furthermore, by providing services to us, external manufacturers may obtain technical know-how from us and disclose that to our competitors. In addition, if any external manufacturer fails or refuses to meet our production demands or deliver tea ware to us in a timely manner, we may not be able to replace them with suitable manufacturers or other reliable sources of supply in a timely manner. As a result, our business, financial condition and results of operations may be materially and adversely affected.

As we expand our business, our reliance on external manufacturers of tea ware will likely increase. If any of these external manufacturers are unable to continue to supply their products to us in the same amount or at all, our business, financial condition and results of operations could be materially and adversely affected. Difficulties or delays in production by our external manufacturers could increase our costs, cause us to lose revenue or market share and damage our reputation, any of which could have a material and adverse effect on our business, financial condition and results of operations.

We sell the Lu Yu brand of tea ware products by procuring the Lu Yu brand of tea ware directly from an external supplier. If the external supplier terminates the supply of such tea ware to us, our business, financial condition and results of operations would be materially and adversely affected.

We procure and sell the Lu Yu branded of tea ware products. Under the relevant arrangements, we purchase the Lu Yu branded tea ware from an external supplier directly and then distribute such products through our sales network. Please see the section entitled "Business – Production – Production, Processing, Assembly and Packing" in this prospectus for details of the relevant arrangements on the sale of the Lu Yu branded tea ware. For the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, the total sales of tea ware products under the Lu Yu brand accounted for approximately 18.2%, 9.7%, 16.6% and 16.1% of our total revenue from tea ware products, respectively. If the supplier terminates or significantly reduces the supply of the Lu Yu branded tea ware products to us, our business, financial condition and results of operations could be adversely affected.

We may need additional capital and any failure by us to raise additional capital on terms acceptable to us, or at all, could limit our ability to grow our business.

We may need to sell additional equity or debt securities or obtain a credit facility if our expenditures exceed our current expectations. The sale of additional equity securities could result in dilution to the shareholding of our Shareholders. The incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financing covenants that would restrict our operations. Financing may not be available in amounts or on terms acceptable to us, if at all. Any failure by us to raise additional funds on terms acceptable to us, or at all, could limit our ability to grow our business and develop or enhance our product offerings to respond to market demand or competitive challenges. In addition, even though such financing is available to us, if it is injected into or used in the PRC by way of making additional equity investments, our Taiwanese investors may be subject to relevant Taiwan/Mainland Investment Regulations, under which our Taiwanese investors may be required to obtain a prior approval or make a post-filing and/or to reduce its shareholdings, as the case may be. For further details, please see the section entitled "Risk Factors – Risks Relating to Taiwanese Individuals' Investment Restrictions in the PRC" in this prospectus.

RISK FACTORS

The majority of our production facilities are located in a province of the PRC, and any natural disaster or other event affecting these facilities may severely disrupt our business.

The majority of our current production facilities are located in Fujian province. We do not maintain backup facilities and do not have a formal business continuity or disaster recovery plan. In the event of an earthquake, fire, drought, flood or other natural disaster, political instability, localised extended outage of critical utilities or transportation systems, terrorist attack or other events that limit our ability to operate these facilities, we may have to incur substantial additional expenses to repair or replace the damaged equipment or facilities, our ability to manufacture and supply products and our ability to meet our delivery obligations to our third-party retailers would be significantly disrupted, and our relationships with our third-party retailers, suppliers and partners could be damaged, in which case our business, results of operations and financial condition would be adversely impacted.

Our insurance coverage may not completely cover the risks related to our business and operations.

Our insurance coverage is limited and may not adequately protect us against all risks related to our business and operations. We maintain property insurance coverage for our vehicles and manufacturing facilities and equipment, but we do not have third-party liability or business interruption insurance coverage for our operations. If any business disruption, litigation or natural disaster occurs, we might incur substantial costs and experience diversion of resources.

A system failure or breakdown of our information technology infrastructure may cause interruption to our business and operations.

We are increasingly dependent on our information technology infrastructure to conduct our production activities, manage risks, implement our internal control systems and manage and monitor our business and operations. We rely on third-party information technology service providers to maintain and upgrade our systems. A failure or breakdown of any part of our information technology system may interrupt our normal business or operations, result in a slowdown in operational and management efficiency and adversely affect our ability to meet our production schedules.

We have not obtained approvals from the MOFCOM at the provincial level for certain existing retail outlets and, accordingly, we may be subject to fine or other administrative penalties, which could materially and adversely affect our business, financial condition and results of operations.

Pursuant to the Measures for the Administration on Foreign Investment in Commercial Fields* (外商投資商業領域管理辦法) and the Notice on Decentralization of the Authority to Examine and Approve Foreign-invested Commercial Enterprises* (關於下放外商投資商業企業審批事項的通知), foreign-invested commercial enterprises, who intend to establish new branches and retail outlets in the PRC, shall obtain approval from MOFCOM at the provincial level. As of the Latest Practicable Date, we had not obtained such approvals for a total of 39 self-owned retail outlets. Among these 39 retail outlets, 28 and 11 retail outlets are located in Tianjin and Shanxi, respectively. As to these outlets, we have been verbally advised by the respective staff of Tianjin MOFCOM and Shanxi MOFCOM that such approvals are not a pre-requisite and will not be issued.

RISK FACTORS

We commenced the operations of the above 39 retail outlets without obtaining the relevant approvals from MOFCOM at the provincial level, as we were advised by the competent authorities that the approvals of the MOFCOM at the provincial level were not required for the establishment of retail outlets before we commenced the operations of retail outlets. To avoid similar instances of non-compliance in the future, we intend to engage external legal advisors to consult with the MOFCOM at the provincial level and provide legal advice to us before we proceed to open new retail outlets. However, there is no assurance that such non-compliance will not happen in the future.

Our PRC legal advisers have had telephone consultations with relevant staff of Tianjin MOFCOM and Shanxi MOFCOM, the competent authorities to approve our establishment of retail outlets in Tianjin and Shanxi, respectively, and were informed that the approval of MOFCOM at the provincial level was not necessary for establishing retail outlets in Tianjin and Shanxi. Further, according to our PRC legal advisers, the relevant PRC laws and regulations do not specify the legal consequence for establishing retail outlets without approval of the MOFCOM at the provincial level. As such, our PRC legal advisers are of the view that the likelihood that those retail outlets would be shut down due to lack of approval is low. Based on our estimate, the approximate revenue and profit contribution from the 39 retail outlets will account for less than 10% and 5%, respectively, of our total revenue and profit for the year ending 31 December 2011.

However, as advised by our PRC legal advisers and the Joint Sponsor's PRC legal advisers, the verbal confirmations of Shanxi MOFCOM and Tianjin MOFCOM may not be deemed as legally valid, because these confirmations are inconsistent with the relevant provisions under the existing PRC laws and regulations, and as a result we cannot assure you that we will not be subject to any penalties for such non-compliance. In the event that we are subject to fine or other administrative penalties, our reputation, business, financial condition and results of operations could be materially and adversely affected.

RISKS RELATING TO TAIWANESE INDIVIDUALS' INVESTMENT RESTRICTIONS IN THE PRC

Some of our Founding Members and/or Directors may be subject to certain fines as a result of breach of Taiwanese regulations restricting Taiwanese enterprises or residents from engaging or investing in planting, manufacturing and blending tea leaves in the PRC, which could adversely affect our reputation.

Mr. Lee Rie-Ho and Mr. Lee Shih-Wei, who are our Founding Members and Directors, and Mr. Lee Kuo-Lin, who is our Director, are Taiwanese residents. Mr. Lee Rie-Ho, Mr. Lee Kuo-Lin and Mr. Lee Shih-Wei previously held 45%, 45% and 10%, respectively, of the equity interest in Samoa Company, which in turn holds seven tea leaves companies in the PRC, three of which have commenced operations. As confirmed by Mr. Lee Rie-Ho, Mr. Lee Shih-Wei and Mr. Lee Kuo-Lin, the reason for setting up Samoa Company was primarily because of the tax advantages for companies incorporated in Samoa. Samoa Company, through its three operating subsidiaries, is engaged in the planting, manufacturing and blending of tea leaves in the PRC. On 31 January 2011, Mr. Lee Chia Ling, who is a Singapore citizen, acquired the entire equity interest in Samoa Company. For further details, please see the section entitled "Relationship with Controlling Shareholders – Independence from Our Controlling Shareholders" in this prospectus.

RISK FACTORS

According to the Taiwan/Mainland Investment Regulations, Taiwanese residents are prohibited from engaging or investing in planting, manufacturing and blending of tea leaves in the PRC. If these regulations are breached, Taiwanese residents may be subject to fines and may also be ordered to remedy such violation by withdrawing the investment within a specified period. Furthermore, the Taiwanese residents may be subject to imprisonment of up to two years and/or a fine of up to NT\$25,000,000 if they fail to comply with the order or make any investment in any of the restricted categories again in the PRC after complying with such order.

Our Taiwan legal advisers have advised us that, as Mr. Lee Rie-Ho, Mr. Lee Shih-Wei and Mr. Lee Kuo-Lin previously held equity interests in Samoa Company, Mr. Lee Rie-Ho, Mr. Lee Shih-Wei and Mr. Lee Kuo-Lin may be subject to administrative fines ranging from NT\$50,000 to NT\$25,000,000 for their past violations of the above regulations. Assuming that the Taiwan Investment Commission imposes on each of these Founding Members and/or Directors the highest administrative fine of NT\$25,000,000, the maximum aggregate administrative fine that these Founding Members and/or Directors may be subject to would be NT\$75,000,000. However, as advised by our Taiwan legal advisers, the Taiwan Investment Commission is unlikely to impose the highest administrative fine of NT\$25,000,000 on each of these Founding Members and/or Directors, taking into account the fact that (i) these Founding Members and/or Directors have transferred all of the equity interest in Samoa Company to Mr. Lee Chia Ling, and (ii) the current Taiwan government policy advocates closer economic ties with the PRC. Furthermore, our Taiwan legal advisers believe that, taking reference to the precedents involving the Taiwanese Founding Members, it is reasonable to expect that the fine to be imposed on each of these Founding Members and/or Directors, if any, will likely be NT\$50,000. In such event, the aggregate administrative fine to be imposed on these Taiwanese Founding Members and/or Directors, if any, will likely be NT\$150,000. Our Taiwan legal advisers are nonetheless of the view that the risk of the Taiwan Investment Commission imposing such penalty on these Taiwanese Founding Members and/or Directors is low.

Our Taiwan legal advisers have also advised us that the likelihood that Mr. Lee Rie-Ho, Mr. Lee Kuo-Lin and Mr. Lee Shih-Wei may be subject to criminal sanctions is low because: (i) the imposition of criminal sanctions is conditional upon a failure to comply with the order after the order to remedy the violation is issued by the competent authority in Taiwan; (ii) Mr. Lee Rie-Ho, Mr. Lee Kuo-Lin and Mr. Lee Shih-Wei have already transferred their entire equity interests in Samoa Company to Mr. Lee Chia Ling; and (iii) Mr. Lee Rie-Ho, Mr. Lee Kuo-Lin and Mr. Lee Shih-Wei have not received any order that requires them to remedy the violation.

Although each of these Founding Members and/or Directors has confirmed with us that he has available financial resources to settle the administrative fines if imposed on them by the Taiwan Investment Commission, they may not be able to, or may not, pay the fine in a timely manner, or at all. In such case, the Taiwan competent authority may take enforcement actions against such person by way of seizure and disposal of such person's properties and assets, including the Shares that such person owns. As such, we believe our reputation could be adversely affected and our share price could become volatile to the extent that there are large quantities of Shares so disposed of, even if there is no financial impact or legal consequences on us as our Company is not subject to the Taiwan/Mainland Investment Regulations.

RISK FACTORS

The Taiwan Investment Commission may rule that its prior approval was required for the previous beneficial interests by our Taiwanese Founding Members and 81 Taiwanese Original Investors under certain nominee and entrustment arrangements, and our Taiwanese Founding Members and 81 Taiwanese Original Investors may be subject to a fine.

Our Founding Members and Original Investors previously held beneficial interests in the relevant entities comprising our Group under certain nominee and entrustment arrangements. Our Founding Members previously held the beneficial interests in the PRC Tea Subsidiaries through a nominee arrangement, under which US Tenren acted as the nominee for the Founding Members to hold their interests in the PRC Tea Subsidiaries. Furthermore, Mr. Tsai Shan Jen held on trust for the Founding Members the interests in Ten Rui HK and through Ten Rui HK, the interests in various subsidiaries of our Group. In addition, Mr. Tsai Shan Jen held his interests as a Founding Member in our Group for himself and on trust for the Original Investors. For further details about the nominee arrangement and the two entrustment arrangements, please see the section entitled “History, Reorganisation and Corporate Structure – Our Reorganisation” in this prospectus.

The Taiwan Investment Commission did not recognise the beneficial interests of the Taiwanese Founding Members and 81 Taiwanese Original Investors in the relevant PRC subsidiaries via the nominee arrangement and the two entrustment arrangements, as the Taiwanese Founding Members and 81 Taiwanese Original Investors were not the registered holders of the beneficial interests in our Company. As such, the Taiwan Investment Commission did not issue any rectification to approve such beneficial interests in our Company held by the Taiwanese Founding Members and 81 Taiwanese Original Investors via the nominee arrangement and the two entrustment arrangements. Our PRC legal advisers are of the opinion that the nominee arrangement and the two entrustment arrangements do not contravene any PRC law, and our Taiwan legal advisers have confirmed that the nominee arrangement and two entrustment arrangements are legally binding on the parties under Taiwanese law. The nominee arrangement and the two entrustment arrangements were subsequently extinguished and the beneficial interests in our Company were transferred from US Tenren or Mr. Tsai Shan Jen to the Taiwanese Founding Members and 81 Taiwanese Original Investors as part of the Reorganisation. Our Taiwanese Founding Members and 81 Taiwanese Original Investors obtained the approvals of the Taiwan Investment Commission in November 2010 and December 2010, respectively, in connection with their beneficial interests in our Company after the aforesaid transfers. The approvals specified the total approved investment amount of each of the Taiwanese Founding Members and 81 Taiwanese Original Investors in the PRC subsidiaries under our Group as of the relevant date. Our Taiwan legal advisers have confirmed that as a matter of Taiwanese law, upon obtaining the approvals of the Taiwan Investment Commission, the Taiwanese Founding Members and 81 Taiwanese Original Investors are regarded to be in compliance with the investment limit as of the date of approval. In addition, in October 2010, each of these Taiwanese Founding Members paid the administrative fine of NT\$50,000 for not obtaining the Taiwan Investment Commission’s prior approval before the transferring of beneficial interests in our Company from US Tenren to the Taiwanese Founding Members. The 81 Taiwanese Original Investors were not required to pay the fine because the transferring of beneficial interests in our Company from Mr. Tsai Shan Jen to the 81 Taiwanese Original Investors took place after the obtaining of approval in December 2010.

RISK FACTORS

Our Taiwan legal advisers have advised us that, based on the Taiwan Investment Commission's approvals referred to above, our current Taiwanese investors' shareholdings in our Company are legal and valid under Taiwanese law. With respect to the nominee arrangement and two entrustment arrangements, given that they have since been extinguished and the Taiwan Investment Commission has given its approvals referred to above, our Taiwan legal advisers are of the view that the failure of the Taiwanese Founding Members and 81 Taiwanese Original Investors in obtaining Taiwan Investment Commission's prior approvals in connection with their previous beneficial interests in our Company under the nominee arrangement and the two entrustment arrangements would not affect the legality and the validity of our existing Taiwanese investors' shareholdings in our Company.

However, the Taiwan Investment Commission may still rule that its prior approval was required for the previous beneficial interest by our Taiwanese Founding Members and 81 Taiwanese Original Investors under the nominee arrangement and the two entrustment arrangements. The Taiwanese Founding Members and 81 Taiwanese Original Investors did not obtain such approvals as the Taiwan Investment Commission refused to recognise the beneficial interests under the nominee arrangement and the two entrustment arrangements. The Taiwan Investment Commission may therefore still impose fines on them.

In addition, Mr. Tsai Shan Jen, one of our Founding Members, was a Taiwanese resident and renounced his Taiwanese citizenship on 12 November 2009. However, prior to 12 November 2009, he held certain beneficial interests in various subsidiaries of our Group without obtaining prior approval from the Taiwan Investment Commission. As advised by our Taiwan legal advisers, Mr. Tsai may still be subject to certain fines due to his past violation of the Taiwan/Mainland Investment Regulations. However, the likelihood for the Taiwan Investment Commission to impose such administrative fines on Mr. Tsai Shan Jen is low as Mr. Tsai is currently not a Taiwanese resident. Furthermore, as advised by our Taiwan legal advisers, such violation nonetheless would not affect the legality and the validity of our existing Taiwanese investors' shareholdings in our Company.

As advised by our Taiwan legal advisers, the maximum liability of Mr. Tsai Shan Jen, the Taiwanese Founding Members and 81 Taiwanese Original Investors would be the imposition of a penalty in the amount of no more than NT\$25,000,000 per person pursuant to the Taiwan/Mainland Investment Regulations. Assuming that the Taiwan Investment Commission imposes on each of Mr. Tsai Shan Jen, Taiwanese Founding Members and 81 Taiwanese Original Investors the highest administrative fine of NT\$25,000,000, the maximum aggregate administrative fine would be NT\$2,125,000,000. However, as advised by our Taiwanese legal advisers, the Taiwan Investment Commission is unlikely to impose the highest administrative fine of NT\$25,000,000 on each of Mr. Tsai Shan Jen, Taiwanese Founding Members and 81 Taiwanese Original Investors, taking into account the factors as discussed above, and the current Taiwan government policy advocates closer economic tie with the PRC. Furthermore, our Taiwan legal advisers believe that, taking reference to the precedents involving the Taiwanese Founding Members, it is reasonable to expect that the fine to be imposed on each of Mr. Tsai Shan Jen, Taiwanese Founding Members and 81 Taiwanese Original Investors, if any, will likely be NT\$50,000. In such event, the aggregate administrative fine, if any, will likely be NT\$4,250,000. Our Taiwan legal advisers are nonetheless of the view that the risk of the Taiwan Investment Commission imposing such penalty on Mr. Tsai Shan Jen, these Taiwanese Founding Members and 81 Taiwanese Original Investors is low.

RISK FACTORS

Although each of Mr. Tsai Shan Jen, the Taiwanese Founding Members and 81 Taiwanese Original Investors has confirmed with us that she/he/it has available financial resources to settle the administrative fine if imposed on them by the Taiwan Investment Commission, they may not be able to, or may not, pay the fines in a timely manner, or at all. In such case, the Taiwan competent authority may take enforcement actions against such Taiwanese investor by way of seizure and disposal of such investor's properties and assets, including the Shares in us that he/it owns. As such, our reputation could be adversely affected, and our share price could become volatile to the extent that there are large quantities of Shares so disposed of, even if there is no financial impact or legal consequences on us as our Company is not subject to the Taiwan/Mainland Investment Regulations.

The Taiwan Investment Commission may impose fines on Mr. Lee Rie-Ho for his failure to report to the Taiwan Investment Commission in respect of The WH Trust arrangement.

On 12 April 2011, Mr. Lee Rie-Ho, as the settlor, set up The WH Trust as a discretionary trust and beneficiaries of The WH Trust include family members of Mr. Lee Rie-Ho. On 18 April 2011, Mr. Lee Rie-Ho transferred the entire issued share capital in Discerning Group Limited, which holds his entire shareholding in our Company, to Super Giant which is ultimately held by the trustee of The WH Trust.

As required by the Taiwan Investment Commission, Taiwanese residents need to report to the Taiwan Investment Commission prior to any changes in shareholding structure for the Taiwanese resident's investment in the PRC. Mr. Lee Rie-Ho believed that, as he was a beneficiary under The WH Trust, he was not subject to the reporting requirement for the set-up of The WH Trust and subsequent share transfer of Discerning Group Limited from Mr. Lee Rie-Ho to Super Giant, the shareholding of which was held by the trustee of The WH Trust. However, after a further consultation with the Taiwan Investment Commission in July 2011, the Taiwan Investment Commission confirmed that reporting is required. Accordingly, Mr. Lee made a report to the Taiwan Investment Commission on 4 August 2011 to rectify the non-compliance.

In view that the Taiwan Investment Commission would take longer time to review and approve the application by Mr. Lee Rie-Ho with respect to the change in his investment shareholding structure through the establishment of The WH Trust, Mr. Lee decided to have Super Giant transfer its shares in Discerning Group Limited back to himself so that The WH Trust no longer held interest in Shares of our Company. On 2 September 2011, the transfer of shares in Discerning Group Limited back to Mr. Lee Rie-Ho by Super Giant was completed. Since then, Mr. Lee Rie-Ho owns 100% shareholding of Discerning Group Limited, which directly holds the Shares of our Company. For further details about the Reorganisation, please see the section entitled "History, Reorganisation and Corporate Structure – Our Reorganisation" in this prospectus. On 5 September 2011, Mr. Lee Rie-Ho reported to the Taiwan Investment Commission the transfer and subsequently The WH Trust no longer held interest in Shares of our Company described above and the application in connection with the establishment of The WH Trust was withdrawn accordingly.

As advised by our Taiwan legal advisers, Mr. Lee Rie-Ho may still be subject to an administrative fine ranging from NT\$50,000 to NT\$25,000,000 pursuant to the Taiwan/Mainland Investment Regulations. However, our Taiwan legal advisers are of the opinion that the Taiwan Investment Commission is unlikely to impose the highest administrative fine of NT\$25,000,000 on Mr. Lee Rie-Ho, given the fact that (i) Mr. Lee Rie-Ho has once filed the relevant report to the Taiwan Investment Commission; (ii) on 2 September 2011, the transfer of shares in Discerning Group Limited back to Mr. Lee Rie-Ho by Super Giant, and on 5 September 2011, Mr. Lee Rie-Ho reported such transfer and subsequently The WH Trust no longer held interest in Shares of our

RISK FACTORS

Company; and (iii) the current Taiwan government policy advocates closer economic ties with the PRC. Although Mr. Lee Rie-Ho has confirmed with us that he has the available financial resources to settle the administrative fines, even in the case of the highest administrative fine of NT\$25,000,000, he may not be able to, or may not, pay the fine in a timely manner, or at all. In such case, the Taiwan competent authority may take enforcement actions against Mr. Lee Rie-Ho by way of seizure and disposal of Mr. Lee Rie-Ho's properties and assets, including the Shares in us that he owns. As such, our reputation could be adversely affected, and our share price could become volatile to the extent that there are large quantities of Shares so disposed of, even if there is no financial impact or legal consequences on us as our Company is not subject to the Taiwan/Mainland Investment Regulations.

In addition, our Taiwan legal advisers have opined that notwithstanding the transfer and subsequently The WH Trust no longer held interest in Shares of our Company described above, the legality and validity of our existing Taiwanese investors' shareholdings in our Company would not be affected.

The Taiwan Investment Commission may impose fines on our Taiwanese Founding Members and 81 Taiwanese Original Investors for their failure to obtain the prior approval in respect of certain additional equity investments made by us in the PRC entities (including establishment or acquisition of new PRC entities).

We have made certain additional equity investments in the PRC entities which were not covered in the Taiwan Investment Commission's approvals granted in November and December 2010, respectively. These additional equity investments in the PRC were made by us by using the funds from the Pre-IPO Investments (not from the Taiwanese Founding Members and 81 Taiwanese Original Investors) in December 2010.

As advised by our Taiwan legal advisers, a Taiwanese investor is required to apply for prior approval or post-filing for his investment in the PRC pursuant to the Taiwan/Mainland Investment Regulations. However, such regulations are not clear as to whether a Taiwanese investor is required to obtain a prior approval or make post-filing when the investee company makes further investments in the PRC with funds from a source other than such Taiwanese investor. Our Taiwan legal advisers consulted with the Taiwan Investment Commission in April 2011, and the Taiwan Investment Commission confirmed that a Taiwanese investor also needs to obtain a prior approval or make post-filing when the invested company makes further investments in the PRC, even though the funds for such investments are from a source other than such Taiwanese investor. If the total cumulative equity investment amount represented by all the Taiwanese investors in a single PRC entity does not exceed US\$1 million, a post-filing would also be acceptable to the Taiwan Investment Commission.

Our Company has made a total of 14 additional investments in the PRC since the Taiwanese Founding Members and 81 Taiwanese Original Investors obtained the Taiwan Investment Commission's approvals in November and December 2010, respectively. Of these 14 investments, six investments individually exceeded the US\$1 million cumulative investment amount and therefore fell within the requirement to obtain approval and eight investments individually did not exceed the US\$1 million cumulative investment amount, and therefore were eligible to make subsequent filings.

RISK FACTORS

In respect of the six additional equity investments in the PRC which lack prior approval from the Taiwan Investment Commission, as advised by our Taiwan legal advisers, an application to rectify the failure in obtaining the prior approval by the Taiwanese Founding Members and 81 Taiwanese Original Investors involves a two-step approval process. Step one is to obtain the approval for a reporting application by the relevant Taiwanese investor who failed to obtain prior approval for his/her/its PRC investments and assessment of administrative fines to be imposed, if any. Once step one has been completed and the fine, if any, has been paid, the relevant investor will continue with step two by obtaining the approval to rectify the subject investment in the PRC. According to the guidance published on the Taiwan Investment Commission's website (<http://www.moeaic.gov.tw>), the Taiwan Investment Commission generally takes two to four months to grant its approvals in such two-step approval process.

As soon as the Taiwanese Founding Members and 81 Taiwanese Original Investors became aware of the Taiwan Investment Commission's position (requiring the applicants to seek Taiwan Investment Commission's prior approval for the PRC investments made by our Company without using the funds of the applicants in April 2011), the Taiwanese Founding Members and 81 Taiwanese Original Investors started preparing the applications and filed the step one application as described above on 26 May 2011 to remedy the failure in obtaining prior approval from the Taiwan Investment Commission. After the application was filed, the Taiwan Investment Commission requested the applicants to provide supplemental information. As the application involves a total of six PRC companies and 84 Taiwanese investors, the Taiwan Investment Commission has taken a longer period than that as published in the guidance to grant its approval in respect of the step one application for the six additional PRC investments filed by the Taiwanese Founding Members and 81 Taiwanese Original Investors.

On 16 August 2011, the Taiwan Investment Commission verbally notified our Taiwan legal advisers to withdraw the application on behalf of the Taiwanese Founding Members and 81 Taiwanese Original Investors, since the Taiwan Investment Commission was processing the filing made by Mr. Lee Rie-Ho with respect to the change in his investment shareholding structure through the establishment of The WH Trust, and the application has been duly withdrawn accordingly. On 2 September 2011, the transfer of shares in Discerning Group Limited back to Mr. Lee Rie-Ho by Super Giant was completed and since then, Mr. Lee Rie-Ho owns 100% shareholding of Discerning Group Limited, which directly holds the Shares of our Company. On 5 September 2011, Mr. Lee Rie-Ho reported such transfer to the Taiwan Investment Commission, and subsequently The WH Trust no longer held interest in Shares of our Company. For further details relating to Mr. Lee Rie-Ho's application to the Taiwan Investment Commission in connection with the establishment of the WH Trust, please see the section entitled "Risk Factors – Risks relating to Taiwanese Individuals' Investment Restrictions in the PRC – The Taiwan Investment Commission may impose fines on Mr. Lee Rie-Ho for his failure to report to the Taiwan Investment Commission in respect of The WH Trust arrangement" in this prospectus. On 8 September 2011, the Taiwanese Founding Members and 81 Taiwanese Original Investors resubmitted their applications for the approval in respect of their six additional investments in the PRC. As advised by our Taiwan legal advisers, as the applications are resumed, the Taiwan Investment Commission is unlikely to impose any further administrative fines (as described below) in respect of these six additional equity investments in the PRC. In addition, our Taiwan legal advisers are of the view that there should be no significant legal impediments for these Taiwanese Founding Members and 81 Taiwanese Original Investors to obtain the approvals in respect of such six additional equity investments.

RISK FACTORS

In respect of the eight additional equity investments in the PRC requiring post-filings with the Taiwan Investment Commission, as advised by our Taiwan legal advisers, a one-step post-filing should be made within six months of the relevant additional equity investments and no administrative penalty would apply after the post-filings are made accordingly. On 9 August 2011 and 22 August 2011, the Taiwanese Founding Members and 81 Taiwanese Original Investors made one and two post-filings, respectively, with the Taiwan Investment Commission in respect of three out of the eight additional equity investments while continuing to prepare post-filing applications for the remaining five equity investments. On 25 August 2011, the Taiwan Investment Commission verbally notified our Taiwan legal advisers to withdraw the applications on behalf of the Taiwanese Founding Members and 81 Taiwanese Original Investors in respect of the post-filings for the three out of eight additional equity investments, since the Taiwan Investment Commission was processing the filing made by Mr. Lee Rie-Ho with respect to change in his investment shareholding structure through the establishment of The WH Trust (as described above), and the applications have been duly withdrawn accordingly. The Taiwan Investment Commission also verbally notified our Taiwan legal advisers on the same day to put on hold the post-filing applications for the remaining five equity investments. However, on 2 September 2011, the transfer of shares in Discerning Group Limited back to Mr. Lee Rie-Ho by Super Giant was completed and on 5 September 2011, Mr. Lee Rie-Ho reported such transfer to the Taiwan Investment Commission and subsequently The WH Trust no longer held interest in Shares of our Company. On 8 September 2011, the Taiwanese Founding Members and 81 Taiwanese Original Investors resubmitted the three post-filings made in August 2011 and made the remaining five post-filings with the Taiwan Investment Commission. As advised by our Taiwan legal advisers, as these applications are resumed and the Taiwanese Founding Members and 81 Taiwanese Original Investors initially filed the post-filings within the six months of the eight equity investments in the PRC, the Taiwan Investment Commission is unlikely to impose any fines in respect of these eight additional equity investments in the PRC. In addition, our Taiwan legal advisers are of the opinion that there should be no significant legal impediments for these Taiwanese Founding Members and 81 Taiwanese Original Investors to obtain the approvals in respect of the eight additional equity investments requiring a post-filing.

Our Taiwan legal advisers have further opined that, although the Taiwanese Founding Members and 81 Taiwanese Original Investors are in the process of rectifying the additional 14 investments made by us with the Taiwan Investment Commission as described above, the legality and the validity of our existing Taiwanese investors' shareholdings in our Company would not be affected. However, as advised by our Taiwan legal advisers, each of these Taiwanese Founding Members and 81 Taiwanese Original Investors may still be subject to an administrative fine ranging from NT\$50,000 to NT\$25,000,000 per incident for not obtaining prior approval in respect of six additional investments in the PRC entities pursuant to the Taiwan/Mainland Investment Regulations. Assuming that the Taiwan Investment Commission imposes on each of the Taiwanese Founding Members and 81 Taiwanese Original Investors the highest administrative fine of NT\$25,000,000 per incident, the maximum aggregate administrative fine that these Taiwanese Founding Members and 81 Taiwanese Original Investors may be subject to would be NT\$12,600,000,000.

However, as advised by our Taiwan legal advisers, the Taiwan Investment Commission is unlikely to impose the highest administrative fine of NT\$25,000,000 per incident on each of these Taiwanese Founding Members and 81 Taiwanese Original Investors, taking into account the fact that (i) these Taiwanese Founding Members and 81 Taiwanese Original Investors have made reports to the Taiwan Investment Commission to remedy the failure in obtaining prior approvals, and (ii) the current Taiwan ruling government policy advocates closer economic tie with the PRC. Our

RISK FACTORS

Taiwan legal advisers believe that, taking reference to the precedents involving the Taiwanese Founding Members, it is reasonable to expect that, the fine to be imposed per incident on each of these Taiwanese Founding Members and 81 Taiwanese Original Investors, if any, will likely be NT\$50,000. In such event, the aggregate administrative fine if any, will likely be NT\$25,200,000. Our Taiwan legal advisers are nonetheless of the view that the risk of the Taiwan Investment Commission imposing such penalty on these Taiwanese Founding Members and 81 Taiwanese Original Investors is low.

Although each of these Taiwanese Founding Members and 81 Taiwanese Original Investors has confirmed with us that she/he/it has available financial resources to settle the administrative fines if imposed on them by the Taiwan Investment Commission, they may not be able to, or may not, pay the fine in a timely manner, or at all. In such case, the Taiwan competent authority may take enforcement actions against such person by way of seizure and disposal of such person's properties and assets, including the Shares in us that such person owns. As such, we believe our reputation could be adversely affected, and our share price could become volatile to the extent that there are large quantities of Shares so disposed of, even if there is no financial impact or legal consequences on us as our Company is not subject to the Taiwan/Mainland Investment Regulations.

In anticipation of the potential new investments in the PRC to be made by our Group from the proceeds of the Global Offering, on 9 September 2011, our Taiwanese investors filed application with the Taiwan Investment Commission for prior approval of such new investments. For further details about the applications, please see the section entitled "Risk Factors – Our Taiwanese Shareholders may need to reduce their interests in order to comply with the Taiwan/Mainland Regulations, which may cause our share price to be volatile" in this prospectus.

In order to prevent breaches by the Taiwanese investors for failing to make required filings or reportings with the Taiwan Investment Commission in the future, we have issued a memorandum to each of the Taiwanese investors setting out the relevant Taiwanese regulations in relation to the investment restrictions on Taiwanese individuals in the PRC and reminding them of their filing or reporting obligations as required by the Taiwan Investment Commission. Furthermore, each of the Taiwanese substantial Shareholders and Taiwanese Directors who holds shares in our Company has undertaken to us that he will comply with the Taiwan/Mainland Investment Regulations in connection with his interest in us in the future, including but not limited to obtaining approval from or making post-filings with the Taiwan Investment Commission.

Certain provisions of the Taiwan/Mainland Investment Regulations could be subject to different interpretation by the Taiwan Investment Commission.

The Taiwan Investment Commission has approved certain investment in us by our Taiwanese investors. We do not engage in activities which are prohibited under the Taiwan/Mainland Investment Regulations. In addition, our Taiwan legal advisers have opined that, based on their interpretation of the relevant provisions of the Taiwan/Mainland Investment Regulations and our business activities, as of the Latest Practicable Date, our Group did not conduct any activities of tea planting, manufacturing and blending as prohibited under the Taiwan/Mainland Investment Regulations. Nonetheless, if the Taiwan Investment Commission adopts a different interpretation, the Taiwanese investors may potentially be regarded as being in breach of such regulations and be required to cease their investment in us or we may be required to adjust our operations to conform with the interpretation of the Taiwan Investment Commission.

RISK FACTORS

Our Taiwanese investors may have to reduce their interests in us in order to comply with the Taiwan/Mainland Investment Regulations, which may cause our share price to be volatile.

According to the Taiwan/Mainland Investment Regulations, indirect investments made by any Taiwanese enterprise or individual in the PRC through companies under such Taiwanese person's control are subject to the prior approval of the Taiwan Investment Commission except for certain circumstances where only a post-filing with the Taiwan Investment Commission is required. The Taiwan/Mainland Investment Regulations also set certain limitations on the amount of investments that each Taiwanese enterprise or individual may make in the PRC. The current investment limit for a Taiwanese individual per year is US\$5,000,000 and for a Taiwanese enterprise is 60% of its net worth on a stand-alone or consolidated basis.

Our Taiwan legal advisers have advised us that our existing Taiwanese investors, are subject to the investment limit under the Taiwan/Mainland Investment Regulations, even though our Company itself is not subject to the Taiwan/Mainland Investment Regulations.

There is no specific provision under the Taiwan/Mainland Investment Regulations concerning our investment into the PRC with funding provided by sources other than these Taiwanese investors. However, as advised by our Taiwan legal advisers, pursuant to their verbal consultation with the Taiwan Investment Commission, the Taiwan Investment Commission may take the view that each Taiwanese investor would need to obtain prior approval from the Taiwan Investment Commission and comply with the investment limit even if we invest in the PRC by using any funds from a source other than Taiwanese investors, such as the proceeds to be derived from the Global Offering. Should the Taiwan Investment Commission formally adopt this position, our Taiwanese investors may need to obtain approval from the Taiwan Investment Commission and reduce her/his/its shareholding in us by selling our shares it holds to meet the investment limit.

To provide us with maximum flexibility, on 9 September 2011, the Taiwanese investors applied to the Taiwan Investment Commission for prior approval for potential new investments in the PRC to be made by our Group by using the proceeds from the Global Offering. However, as advised by our Taiwan legal advisers, the Taiwan Investment Commission may not consider an application made by the Taiwanese investors prior to the completion of the Global Offering as such application should include specific information as required by the Taiwan Investment Commission. The specific information would include the detailed information of the PRC investee entity (including name, address, representative and business scope), the investment amount to be injected and the investment amount allocated among the Taiwanese investors in proportion to their respective shareholding in our Group. Such information is dependent on certain variables which will not be available until the completion of Global Offering. Therefore, there is no assurance that such prior approvals can be obtained.

In addition, our Taiwanese investors are required to comply with the investment limit prescribed by the Taiwan Investment Commission after listing, while our Company is not subject to such investment limit, as it is incorporated in the Cayman Islands. In connection with the shareholding reduction, in light of our Company's current plans in respect of the injection of the proceeds from the Global Offering into our PRC subsidiaries over a five-year period (the amount of our planned injection of proceeds into the PRC subsidiaries over each of the next five years is HK\$283.7 million per year, assuming the gross proceeds received by our Company from the Global Offering are approximately HK\$1,418.6 million, which are calculated by using the high-end of the stated price range of the Offer Price and without taking into account the Over-allotment Option and the Global Offering expenses), the Taiwan/Mainland Investment Regulations should not trigger any

RISK FACTORS

immediate significant reduction in shareholding by Mr. Lee Rie-Ho, Mr. Tseng Ming-Sung, Mr. Lee Shih-Wei, 81 Taiwanese Original Investors and two Financial Investors (Ten Ren Tea (Hong Kong) Limited and Mr. Lee Jui-Chi) or their shareholders/ultimate shareholders who are Taiwanese residents (being all the Taiwanese investors known to us prior to the Global Offering).

Given that the US\$5.0 million (approximately HK\$39.0 million) investment limit is for each single year and assuming the amount of planned injection into our PRC subsidiaries is HK\$283.7 million per year, the maximum shareholding a Taiwanese individual may hold in our Company, which will not trigger a requirement to reduce such shareholding, will be 13.74% (being HK\$39.0 million/HK\$283.7 million). Further, as advised by our Taiwan legal advisers, in determining the investment limit, the Taiwan Investment Commission would not take into account the reinvestment of profits generated from the original investments. Therefore, based on our Group structure immediately after the completion of the Global Offering, no Taiwanese investor will be required to reduce her/his/its shareholding except for Mr. Lee Rie-Ho, who may have to reduce his shareholding in our Company by 1.64% within one year after the completion of the Global Offering.

Therefore, notwithstanding the reduction, our Controlling Shareholders, based on their shareholdings immediately after completion of the Global Offering, will not cease to be our controlling shareholders as a result solely of any such reduction. However, a disposal of large quantities of Shares in us by our Taiwanese investors could cause our share price to be volatile. In addition, if the aforesaid potential shareholding reduction by Mr. Lee Rie-Ho is not completed in a timely and orderly manner, our future investments may be limited, under which our expansion plans in the PRC may be materially and adversely affected.

RISKS RELATING TO THE TEA-PRODUCTS INDUSTRY IN THE PRC

Changes in consumer preferences and demand for tea leaves, tea snacks or tea ware in the PRC could materially and adversely affect our business, financial condition and results of operations.

Our continued success depends, in large part, upon the popularity of and demand for our tea leaves and tea ware as well as our tea snacks that are blended and infused with the flavours of tea leaves. However, consumer preferences and demand in the PRC may shift away from such products for various reasons, including but not limited to:

- a general decrease in consumer preferences for tea leaves or tea snacks as compared to other types of products that may be viewed by consumers as substitutes for, or alternatives to such products, including coffee and coffee-related products;
- a change in consumer preferences for tea leaves sold in the form of tea bags to other forms, such as ready-to-drink bottled tea;
- a change in consumers' perception that traditional Chinese tea leaves and tea snacks may be effective in achieving certain anticipated health benefits; and
- negative publicity regarding tea leaves, tea snacks, tea ware or other tea products supplied by other producers or in general.

Shifts in consumer preferences and demand away from Chinese tea leaves, tea snacks or tea ware could materially and adversely affect our business prospects, financial condition and results of operations.

RISK FACTORS

The tea-products industry in the PRC could face competition from substitute products such as other beverage products.

According to Euromonitor International, in the period between 2000 and 2010, retail sales of Chinese tea in the PRC increased from RMB28,435.7 million in 2000 to RMB93,774.6 million in 2010, representing a CAGR of 12.7%. Over this period, the PRC's nominal GDP grew at a compound annual growth rate of 14.9%. The Chinese tea leaves, tea snacks and tea ware industries in the PRC may experience relatively slower growth in the future due to market saturation and competition from other beverage products that may be viewed by consumers as substitutes for, or alternatives to, our tea products, which may impact upon the size and growth of the market for tea leaves, tea snacks and tea ware. The rapid growth in the tea leaves, tea snacks and tea ware industries in recent years in the PRC should not be used as an indicator for our future growth. We cannot assure you that the Chinese tea leaves, tea snacks and tea ware markets in the PRC will be able to continue the rapid growth rate they experienced for the past several years or will be able to maintain the steady growth we expect. If these markets do not grow as we expect, our sales volume, sales revenue and profitability may be adversely affected.

We face intense competition, and if we fail to compete effectively, we may lose market share and our results of operations may be adversely affected.

The overall tea leaves, tea snacks and tea ware markets in the PRC are competitive and rapidly evolving, and we expect competition in these markets to persist and intensify. We face competition from multinational and domestic manufacturers of tea leaves, tea snacks and tea ware.

Our competitiveness depends on a number of factors, including market awareness of our Tenfu brand, the effectiveness of our marketing activities, the quality of our products, and the breadth and depth of our retail sales network. Some of our existing and potential competitors may have greater financial, technical, manufacturing and other resources than we do. Such competitors may also have greater brand recognition, more established distribution and retail sales networks, or more extensive knowledge of our target consumers and target markets. As a result, our competitors may be able to devote greater resources to the research, development, promotion and sale of their products or respond more quickly to evolving industry standards, changes in customer preference and in market conditions than we do. It is also possible that there will be consolidation or alliances among our competitors and as a result, our market share may be affected. In addition, in order to increase sales, some competitors may also actively engage in activities, whether legal or illegal, designed to undermine our brands or to influence consumer confidence in our products.

If we are unable to maintain our competitive position or otherwise respond to competitive pressure effectively, we may lose market share and our operating results may be adversely affected. Intense competition may also lead to pricing pressure on our products, which could adversely affect our revenue and profitability.

Any unexpected or undesirable side effects or injury to consumers caused by our products could result in costly product recalls or product liability claims, which in turn could lead to severe reputational damage, monetary losses or lawsuits.

As a developer and seller of products designed for human consumption, we are subject to product liability claims or product recalls if the use of our products is alleged to have resulted in side effects or injury. We cannot assure you that we will not be subject to significant product liability claims or recalls in the future.

RISK FACTORS

We provide quality assurance to our consumers and third-party retailers, and allow them to return products to us due to quality defects. If our products cause any serious side effect or injury or if our products are perceived to cause such side effect or injury, our products may have to be recalled from the market and/or we may be subject to product liability claims. A product recall or product liability claim could result in substantial and unexpected expenditures, which would reduce our operating profit and cash flow, and may require significant management attention. Furthermore, a product recall or product liability claim may hurt the value of our brands, our reputation and demand for our products and may also lead to increased scrutiny of our operations by regulatory agencies. Any product liability claim, even if unfounded, may be expensive for us to defend and will divert management's attention as well as other resources away from our business operations.

Unfavourable publicity or consumer perception of our products, or of similar products sold by other companies, could have a material adverse effect on our business.

We are highly dependent upon consumer perception regarding the safety, efficacy and quality of our products and of tea, tea ware products and snack food products in general. Consumer perceptions can be significantly influenced by factors beyond our control, such as scientific research or findings, national media attention and Internet articles and commentary, some of which may be negative. Research reports, findings or publicity that are perceived as negative or that question the safety, efficacy or benefits of our or similar products could have a material adverse effect on the effectiveness of our marketing campaigns, the demand for our products and our business and results of operations. Such adverse publicity could arise even if the ineffectiveness of, or the adverse effects associated with, such products resulted from consumers' failure to consume such products appropriately or as directed. Unfavourable publicity, even if unfounded, will have an adverse impact on our business and may damage our brand and lead to greater scrutiny of our products by the regulatory authorities and possibly regulatory actions restricting our ability to promote or sell our products in certain geographic markets.

The tea leaves and tea snacks industries are heavily regulated in the PRC, and any failure to comply with, and changes in, the regulatory requirements or any regulatory actions against us or our products could adversely affect our business prospects, financial condition and results of operations.

The tea leaves and tea snacks industries in the PRC are subject to extensive government regulation and supervision. As further elaborated below, the regulatory framework addresses several aspects of operating in the tea and snack food product industries in the PRC, including product approvals, product processing, formulation, manufacturing, packaging, labeling, distribution and sale and maintenance of manufacturing facilities.

(i) Laws and Regulations on Food Safety

The PRC has established a series of laws and regulations to strengthen controls on production, operation and sales of food, including tea products.

According to the Food Safety Law of the PRC* (中華人民共和國食品安全法) adopted by the National People's Congress Standing Committee* (全國人民代表大會常務委員會) on 28 February 2009 and implemented on 1 June 2009, and its implementation rules, the food safety standard is compulsory. The Health Administrative Department* (衛生行政部門) of the State Council* (國務院) is responsible for formulating and announcing national food safety standards. Where there are no national food safety standards, the provincial health administrative authorities may formulate their own local food safety standards. If there are no national food safety standards or local standards, enterprises should formulate their own enterprise standards to regulate their own food production.

RISK FACTORS

In addition, the Food Safety Law of the PRC has introduced a licensing system on food production and operation. Enterprises that operate food production or sale of food must obtain relevant licenses in accordance with law.

(ii) Regulations on Food Production Permits

Pursuant to the Measures for the Administration of Food Production Permits* (食品生產許可管理辦法), promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC* (中華人民共和國國家質量監督檢驗檢疫總局) on 7 April 2010 and effective as of 1 June 2010, enterprises engaging in food production including the production of tea snacks, must satisfy a series of standards and apply to competent quality supervision authorities for food production permits, and those who commence food production without a food production permit will be subject to confiscation of illegal income, confiscation of production instruments and products, fines and other administrative penalties.

(iii) Regulations on Sale of Food Permits

Pursuant to the Measures for the Administration of Food Circulation Permits* (食品流通許可證管理辦法), promulgated by SAIC and effective as of 30 July 2009, enterprises or enterprise branches engaging in sale of food must comply with certain standards and apply to competent administrative authorities of industry and commerce for sale of food permits, and those who fail to obtain such permits before their commencement of sale of food business will be subject to fine or other administrative penalties.

(iv) Law on Product Quality

In accordance with the Product Quality Law of the PRC* (中華人民共和國產品質量法), which was promulgated on 22 February 1993 and amended on 8 July 2000, a product seller shall undertake the responsibilities, among others, (i) to adopt a check-for-acceptance system for stock replenishment to examine the quality certificates and other labels of such stock; (ii) to take measures in keeping products for sale in good quality; (iii) not to sell defective or deteriorated products or products which have been publicly banned from sales; (iv) to sell products with labels that comply with the relevant provisions; (v) not to misrepresent the origin of a product, or falsely use the name and address of another producer; (vi) not to misrepresent or falsely use product quality marks such as authentication marks; and (vii) not to mix impurities or imitations into the products, substitute a fake product for a genuine one, a defective product for a high-quality one, or pass off a substandard product as a qualified one in the sale of products, and a product producer shall, among others, (i) be responsible for the quality of products it produces; (ii) not produce products that have been publicly banned from production; (iii) not misrepresent the origin of a product, or to misrepresent or falsely use the name and address of another producer; (iv) not misrepresent or falsely use product quality marks such as authentication marks of another producer; and (v) not mix impurities or imitations into the products, substitute a fake product for a genuine one, a defective product for a high-quality one, or pass off a substandard product as a qualified one in the production.

Any failure to comply with, and changes in, the foregoing regulatory requirements or any regulatory actions against us or our products could adversely affect our business prospects, financial condition and results of operations.

RISK FACTORS

Our products and brand names may be subject to counterfeiting or imitation, which could adversely impact our reputation and lead to loss of consumer confidence, reduced sales and higher administrative costs.

As our Tenfu brand is a widely recognised brand in the PRC, we face the risk of counterfeiting and imitation of our products as well as imitation of our trademarks. Some counterfeiters may sell inferior quality tea leaves, tea snacks and tea ware using our Tenfu brand while certain other counterfeiters may sell tea leaves, tea snacks and tea ware with packaging that is very similar to ours. Counterfeit products may or may not have the same ingredients or attributes as our products. Counterfeiting or imitation of our products will likely continue to occur in the future, and we may not be able to detect or address the problem effectively.

Counterfeit products are typically sold at lower prices than the authentic products due to their lower production costs, and in some cases are very similar in appearance to the authentic products which can easily cause confusion to consumers. If counterfeit products are illegally sold under our brand result in adverse side effects or injuries to end-users, we may be associated with negative publicity resulting from such incidents. In addition, consumers may buy counterfeit products that are in direct competition with our authentic products, which could have an adverse impact on our revenue, business and results of operations. Any occurrence or increase of counterfeiting or imitation of our products could negatively affect our reputation and brand name, lead to a loss of consumer confidence in our brands, and, as a consequence, adversely affect our revenue and results of operations. Any legal proceedings, including investigations by government authorities, to prosecute counterfeiting or imitation of our products may be expensive and will divert the management's attention as well as other resources away from our business.

We experience seasonal fluctuations in our revenue and profitability.

The sales of our products are subject to seasonality. We generally record the highest sales of our tea products as a percentage of our total revenue during the major Chinese holidays, such as Chinese New Year and Mid-Autumn Festival. Accordingly, our results of operations for a particular year may be significantly impacted by our results of operations for the first and third quarters of the year. Factors that could cause our results of operations to fluctuate include, among others, the level, cost and timing of our major promotional campaigns, regulatory events, new products introduced by us or our competitors and the general economic environment.

The recent global financial crisis and economic downturn had and may continue to have a material and adverse effect on our business, results of operations and financial condition.

The recent global financial crisis and economic downturn adversely affected economies and businesses around the world, including the PRC. As a result, our business, results of operations and financial condition have been and may continue to be adversely affected in a number of ways, including:

- consumers may seek to reduce discretionary spending by delaying or foregoing their purchases of our products;
- our third-party retailers may decide not to purchase our products at similar volumes as in the past or at all;

RISK FACTORS

- our third-party retailers may experience deterioration of their financial condition, such as bankruptcy, insolvency or other credit failure, and they may therefore not be able to meet their financial obligations to us or may delay payment to us; and
- financing and other sources of liquidity may not be available to us on acceptable terms or at all.

It is uncertain how long the challenging global economic conditions in the financial services and credit markets will continue and how much of an adverse impact it will have on the global economy in general and the Chinese economy specifically. If the current economic downturn continues, our business, financial condition and results of operations could be materially and adversely affected.

Acts of god, acts of war, epidemics (real or perceived), and other disasters may affect our business.

Our business is subject to the general and social conditions in the PRC. Natural disasters, epidemics, acts of god and other disasters that are beyond our control may materially and adversely affect the economy, infrastructure and livelihood of the people of the PRC. Some locations in the PRC are under the threat of flood, earthquake, rainstorm, typhoons, sandstorm or drought. Our business, financial condition and operating results may be materially and adversely affected if these natural disasters occur.

Epidemics threaten people's lives and may materially and adversely affect their livelihoods as well as living and consumption patterns and the general economy. Even outbreaks of disease that do not arise to epidemic levels may affect livelihoods and living and consumption patterns, as well as the generally economy. Outbreaks of disease or the occurrence of an epidemic, including, without limitation, the outbreak of SARS, H5N1 avian flu or H1N1 influenza, is beyond our control. Any outbreaks of disease or epidemic occurring in areas in which we operate, or even in areas in which we do not operate, may materially and adversely affect our business, financial condition and operating results.

Acts of war and terrorist attacks may cause damage or disruption to us, our employees, facilities, our distribution channels, markets, suppliers, and customers, the occurrence of any of which may materially and adversely affect our business, revenue, cost of sales, financial condition and operating results or Share price. Potential war or terrorist attacks may also cause uncertainties and cause our business to suffer in ways that we cannot currently predict.

We are subject to environmental regulations and may be exposed to liability and potential costs for environmental compliance.

We are subject to the PRC laws and regulations concerning the discharge of waste water and solid waste during our manufacturing processes. We are required to obtain certain clearances and authorisations from government authorities for the treatment and disposal of such discharge. Any violation of these regulations may result in substantial fines, criminal sanctions, revocation of operating permits, shutdown of our facilities and obligation to take corrective measures. However, the PRC Government may take steps towards the adoption of more stringent environmental regulations, and we may not be able to remain at all times in full compliance with these regulatory requirements. Due to the possibility of unanticipated regulatory or other developments, the amount and timing of future environmental expenditures may vary substantially from those currently

RISK FACTORS

anticipated. If there is any unanticipated change in applicable environmental regulations, we may need to incur substantial capital expenditures to install, replace, upgrade or supplement our pollution control equipment or make operational changes to limit any adverse impact or potential adverse impact on the environment in order to comply with the new environmental regulations. Our cost of complying with current and future environmental regulations, and liabilities which may potentially arise from the discharge of waste water and solid waste, may materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN CHINA

As we derive substantially all of our revenue from the PRC, any downturn in Chinese macroeconomic trends may harm our business.

Our business is very sensitive to macroeconomic trends as retail purchases tend to decline in recessionary periods. Substantially all of our revenue is derived from sales in the PRC. A recession in the Chinese economy, or uncertainties regarding future economic prospects of the PRC, could lead to a reduction in Chinese consumer spending, which in turn could have a material adverse effect on our business, results of operations and financial condition. The Chinese economy also faces particular challenges such as inflation in the short to medium term. If prices for our products rise at a rate that is insufficient to compensate for the rise in our costs, our business, financial condition and results of operations may be materially and adversely affected. The PRC government has recently implemented certain measures, including recent interest rate increases, in an attempt to control the rate of economic growth and minimize inflationary pressures. These measures may decrease economic activity in the PRC, which in turn could materially and adversely affect our business, financial condition and results of operations.

The relationship between the PRC and Taiwan could affect our business and results of operations.

We cannot assure you that the improving economic and political relationship between the PRC and Taiwan will remain the same in the foreseeable future. In the event that the relationship deteriorates for any reason, Taiwanese or PRC authorities may impose further restraints on investment by Taiwanese Shareholders in PRC companies. Since some of our shareholders are Taiwanese residents whose investments in PRC are subject to regulations and rules promulgated by PRC and Taiwanese authorities, any material and adverse changes in the relationship between the PRC and Taiwan could materially and adversely affect our business, results of operations and financial condition.

Adverse changes in political and economic policies of the PRC Government could have a materially adverse effect on the overall economic growth of the PRC, which could reduce the demand for our products and materially and adversely affect our competitive position.

All of our business operations are conducted in the PRC, and almost our entire revenue derives from sales in the PRC. Accordingly, our business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including the degree of government involvement, the level of development, the growth rate, the control of foreign exchange, access to financing, and the allocation of resources.

RISK FACTORS

While the PRC economy has grown significantly in the past 30 years, the growth has been uneven, both geographically and among various sectors of the economy. The PRC Government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also have a negative effect on us. For example, our financial condition and results of operations may be adversely and materially affected by government control over capital investments or changes in tax regulations that are applicable to us.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. However, the PRC Government still exercises significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Furthermore, as the PRC economy has become increasingly linked with the global economy, the PRC is affected in various respects by downturns and recessions of major economies around the world. Any adverse change in the economic conditions in the PRC, in policies of the PRC Government or in laws and regulations in the PRC, could have a material adverse effect on the overall economic growth of the PRC and market demand for our products and our competitive position.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us.

The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC Government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation since then has significantly enhanced the protections afforded to various forms of foreign investments in the PRC. We conduct our business primarily through our subsidiaries established in the PRC. These subsidiaries are generally subject to laws and regulations applicable to foreign investment in the PRC. However, the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us.

In addition, some regulatory requirements issued by certain PRC Government authorities may not be consistently applied. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into with our business partners, customers and suppliers.

In addition, such uncertainties, including the inability to enforce our contracts, together with any development or interpretation of PRC law that is adverse to us, could materially and adversely affect our business and operations. Furthermore, intellectual property rights and confidentiality protections in the PRC may not be as effective as in the more developed countries. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of our resources and management attention.

RISK FACTORS

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

To use the proceeds from the Global Offering or any future offerings, as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans by us to our wholly-owned PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with SAFE or its local counterparts. Any capital contributions to our PRC subsidiaries must be approved by MOFCOM or its local counterparts.

In addition, on 29 August 2008, SAFE promulgated Notice of the General Affairs Department of the State Administration of Foreign Exchange on the Relevant Operating Issues Concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-funded Enterprises* (Hui Zong Fa [2008] No. 142) (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知(匯綜發[2008]142號) which requires that Renminbi obtained from the settlement of capital of a foreign-invested enterprise shall be used for purposes within the business scope approved by the applicable government authority. Unless otherwise specified, Renminbi obtained from the settlement of capital shall not be used for domestic equity investment. Furthermore, SAFE strengthened its oversight of the flow and use of Renminbi funds converted from the foreign currency-denominated capital of a foreign-invested enterprise. The use of such Renminbi may not be changed without approval from SAFE, and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used for purposes within the foreign-invested enterprise's approved business scope.

We have completed the SAFE registration for the capital contributions to our existing PRC subsidiaries. However, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis in the future, if at all, with respect to future loans by us to our PRC subsidiaries or with respect to future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we receive from the Global Offering and to capitalise or otherwise fund our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

Governmental control of currency conversion may limit our ability to use our revenue effectively and the ability of our PRC subsidiaries to obtain financing.

The PRC Government imposes control on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. We receive a majority of our revenue in Renminbi, which currently is not a freely convertible currency. Restrictions on currency conversion imposed by the PRC Government may limit our ability to use revenue generated in Renminbi to fund our expenditures denominated in foreign currencies or our business activities outside the PRC. Under the PRC's existing foreign exchange regulations, Renminbi may be freely converted into foreign currency for payments relating to "current account transactions," which include, among other things, dividend payments and payments for the import of goods and services, by complying with certain procedural requirements. Our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from the SAFE, by complying with certain procedural requirements. Our PRC subsidiaries may also retain foreign currency their

RISK FACTORS

respective current account bank accounts for use in payment of international current account transactions. However, we cannot assure you that the PRC Government will not take measures in the future to restrict access to foreign currencies for current account transactions.

Conversion of Renminbi into foreign currencies, and vice versa, for payments relating to “capital account transactions,” which principally includes investments and loans, generally requires the approval of SAFE and other relevant PRC Government authorities. Restrictions on the convertibility of the Renminbi for capital account transactions could affect the ability of our PRC subsidiaries to make investments overseas or to obtain foreign currency through debt or equity financing, including by means of loans or capital contributions from us. In particular, if our PRC subsidiaries borrow foreign currency from us or other foreign lenders, they must do so within approved limits that satisfy their approval documentation and PRC debt to equity ratio requirements. Further, such loans must be registered with SAFE or its local counterparts. In practice, it could be time-consuming to complete such SAFE registration process.

Fluctuations in the value of the Renminbi may have a materially adverse impact on our financial condition and results of operations and the value of your investment.

Substantially all of our revenue and expenditures are denominated in Renminbi, while the net proceeds from the Global Offering and any dividends we pay on our Shares will be in Hong Kong Dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong Dollar or U.S. Dollar will affect the relative purchasing power in Renminbi terms of the proceeds from the Global Offering. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our PRC subsidiaries. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong Dollar or U.S. Dollar would affect our financial results in Hong Kong Dollar or U.S. Dollar terms without giving effect to any underlying change in our business or results of operations.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and the PRC’s foreign exchange regime and policy. The People’s Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rate to achieve certain exchange rate targets and policy goals. From mid-2008 to mid-2010 the Renminbi traded within a narrow range against the U.S. Dollar at approximately 6.83 Renminbi per U.S. Dollar. In June 2010, the People’s Bank of China announced the removal of the de facto peg. Following this announcement, the Renminbi has appreciated modestly. However, the Renminbi may appreciate or depreciate significantly in value against the Hong Kong Dollar or the U.S. Dollar in the medium to long term if and when the PBOC changes its current intervention policy.

There are limited hedging instruments available in the PRC to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks. In any event, the availability and effectiveness of these hedging instruments may be limited and we may not be able to hedge our exposure successfully, or at all.

RISK FACTORS

Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees' share options and restricted share units may subject such employees or us to fines and legal or administrative sanctions.

Pursuant to the Administrative Measure for Individual Foreign Exchange* (個人外匯管理辦法) issued by SAFE on 25 December 2006, the Implementation Rules of the Administrative Measure for Individual Foreign Exchange* (個人外匯管理辦法實施細則) issued by SAFE on 5 January 2007 and Operation Rules on the Foreign Exchange Administration of the Participation of Domestic Individuals in Overseas Listed Companies' Employee Stock Ownership Plans and Share Option Schemes* (境內個人參與境外上市公司員工持股計劃和認股期權計劃等外匯管理操作規程) issued by SAFE on 28 March 2007, PRC citizens who are granted shares or share options by an overseas listed company according to its employee share option or share incentive plan are required, through the PRC subsidiary of such overseas listed company or other qualified PRC agents, to register with SAFE and complete certain other procedures related to the share option or other share incentive plan. Foreign exchange income from the sale of shares or dividends distributed by the overseas listed company may be remitted into a foreign currency account of such PRC citizen or be exchanged into RMB. In addition, the overseas listed company or its PRC subsidiary or other qualified PRC agent is required to appoint an asset manager or administrator, appoint a custodian bank and open dedicated foreign currency accounts to handle transactions relating to the share option scheme or other share incentive plan. Our Company and our PRC citizen employees who will be granted share options will be subject to these rules upon the Listing. If our Company or our PRC citizen employees fail to comply with these rules in the future, our Company or our PRC citizen employees may be subject to fines and other legal or administrative sanctions.

The increase in the PRC enterprise income tax and the discontinuation of the preferential tax treatments available to us could decrease our net income and materially and adversely affect our financial condition and results of operations.

Our PRC subsidiaries are incorporated in the PRC and are governed by applicable PRC income tax laws and regulations. Prior to 1 January 2008, entities established in the PRC were generally subject to a 30% state and 3% local enterprise income tax rate. Various preferential tax treatments promulgated by national tax authorities were available to foreign-invested enterprises.

Under the PRC Enterprise Income Tax Law or the PRC EIT Law, and its implementation rules, both effective on 1 January 2008, the PRC has adopted a uniform enterprise income tax rate of 25% for all PRC enterprises (including foreign-invested enterprises) and revoked the previous tax exemption, reduction and preferential treatments applicable to foreign-invested enterprises. However, the PRC EIT Law also permits enterprises to continue to enjoy their existing tax incentives, adjusted by certain transitional phase-out rules, under which enterprises established before the promulgation date of the PRC EIT Law that were granted tax holidays under the then effective tax laws or regulations may continue to enjoy their tax holidays until their expiration. Currently, Jiajiang Tenfu is a PRC subsidiary who is qualified to enjoy the preferential treatment of 12.5% enterprise income tax rate, which will expire on 31 December 2012. In addition, Zhangzhou Tenfu is also qualified to enjoy the preferential treatment of 12.5% enterprise income tax rate to the extent its income derived from the business segment previously operated by Zhangpu Tenfu Tea Museum.

RISK FACTORS

Preferential tax treatments granted to us by PRC Government authorities are subject to review and may be adjusted or revoked at any time in the future. The discontinuation of any preferential tax treatments available to us will cause our effective tax rate to increase, which will decrease our net income and materially and adversely affect our financial condition and results of operations.

We may be subject to additional EIT for certain acquisitions.

In connection with the EIT Law, MOFCOM and the SAT jointly issued, on 30 April 2009, the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business* (關於企業重組業務企業所得稅處理若干問題的通知) (“**Notice 59**”), which became effective retrospectively on 1 January 2008. During the financial year ended 31 December 2009 and up to the Latest Practicable Date, in preparation for the Global Offering, our Group underwent the Corporate Reorganisation. For more details on the Corporate Reorganisation, please see the section entitled “History, Reorganisation and Corporate Structure” in this prospectus. Pursuant to Notice 59, the transfer of equity interest in certain PRC subsidiaries held by offshore subsidiaries of our Group to other offshore subsidiaries of our Group may be subject to a 10% EIT on capital gains which may be determined as the difference between the fair value of the equity interest transferred and the cost of investment. On 10 December 2009, the SAT issued the Notice on Strengthening the Management on Enterprise Income Tax for Non-resident Enterprises Equity Transfer* (關於加強非居民企業股權轉讓所得企業所得稅管理的通知) (“**Notice 698**”), which became effective retrospectively on 1 January 2008. Notice 698 clarified how capital gains should be calculated in the context of a direct or indirect equity transfer of a resident enterprise by a non-resident enterprise. For transfers of equity interest in a PRC resident enterprise between related parties, the PRC tax authorities have the discretion to make adjustments to the taxable capital gains if the transfer price is deemed not to have been determined on an arm’s length basis. In addition, Notice 698 requires that the seller of a foreign target company (which holds, directly or indirectly, an equity interest in a PRC resident enterprise) make a submission to the PRC tax authorities within 30 days after signing of the equity transfer agreement, if certain conditions are met. SAT is entitled to redefine the nature of such indirect equity transfer and impose EIT on the seller of the foreign target company if it determines that such indirect transfer is carried out without reasonable commercial intention and evades EIT by abusing corporate structures.

As the above regulations took effect retrospectively on 1 January 2008, some of our acquisitions during the Track Record Period may be subject to additional EIT. If the PRC tax authorities determine that any of such acquisitions should be subject to EIT, we may be liable for additional EIT, which would be calculated based on 10% of the capital gains deriving from the relevant fair value exceeding the relevant cost of investment. Further, if we fail to make any submission of our relevant transfers in a timely manner, we may be subject to penalties.

However, it is currently unclear how the relevant PRC tax authorities will implement or enforce the above notices and whether such EIT on capital gains will be subject to any further change. If we are required by the relevant PRC tax authorities to pay the EIT on capital gains, our tax liability may increase and our business, financial condition and operating results may be materially and adversely affected.

RISK FACTORS

We may be classified as a “resident enterprise” for PRC enterprise income tax purposes; such classification could result in unfavourable tax consequences to us and our non-PRC Shareholders.

The PRC EIT Law provides that enterprises established outside of the PRC whose “de facto management bodies” are located in the PRC are considered PRC “tax resident enterprises” and will generally be subject to the uniform 25% PRC enterprise income rate on their global income. Under the implementation rules to the PRC EIT Law, a “de facto management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and other assets of an enterprise, however, the circumstances under which an enterprise’s “de facto management body” would be considered to be located in the PRC are currently unclear. A tax circular issued by the SAT on 22 April 2009, or Circular 82, provides that certain foreign enterprises controlled by a PRC company or a PRC company group will be classified as “resident enterprises” if the following are located or resident in the PRC: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision making bodies; key properties, accounting books, company seal, and minutes of board meetings and shareholders’ meetings; and half or more of the senior management or directors having voting rights.

Currently, a majority of the members of our Senior Management team are located or resident in the PRC. We may be deemed to be a PRC resident enterprise if the related criteria under Circular 82 are referred to and applied to us by the PRC tax authorities. If our company or any of our overseas subsidiaries is considered a PRC tax resident enterprise for PRC tax purposes, a number of unfavourable PRC tax consequences could follow. First, our company or our overseas subsidiary will be subject to the uniform 25% enterprise income tax rate as to our global income as well as tax reporting obligations. Second, we cannot assure you that such dividends, which would normally qualify as “tax-exempted income” under applicable rules, will not be subject to a 10% withholding tax, as the PRC taxation authorities, which enforce the withholding tax, have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC tax purposes. Finally, dividends payable by us to our investors that are non-resident enterprises and gain on the sale of our Shares may become subject to PRC withholding tax, if such dividends and gains are regarded by PRC tax authorities to be sourced from the PRC.

We rely on dividends paid by our subsidiaries for our capital needs, and limitations under PRC laws on the ability of our PRC subsidiaries to distribute dividends to us could adversely affect our ability to utilise such funds.

As a holding company, we conduct all of our business through our consolidated subsidiaries incorporated in the PRC. We rely on dividends paid by these PRC subsidiaries for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our Shareholders, to service any foreign currency debt we may incur and to make any offshore acquisitions. The payment of dividends by entities established in the PRC is subject to limitations. Regulations in the PRC currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in the PRC. Each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. As a result, our PRC subsidiaries are restricted in their ability to transfer a portion of their net assets to us in the form of dividends, loans or advances. We anticipate that in the foreseeable future our PRC subsidiaries will need to continue to set aside 10% of their respective after-tax profits to their statutory reserves. These limitations on the ability of our PRC subsidiaries to transfer funds to us limit our ability to receive and utilise such funds.

RISK FACTORS

PRC tax laws on dividend distribution may materially and adversely affect our business and results of operations and dividends payable by us to our foreign investors and gains on the sale of our Shares may be subject to withholding taxes under PRC tax laws.

Dividends received by foreign investors from foreign-invested enterprises were exempt from withholding income tax prior to 1 January 2008. Therefore, we were exempt from withholding tax on dividends we received from our PRC subsidiaries. Under the PRC EIT Law, a withholding income tax at the rate of 20% is applicable to dividends derived from sources within the PRC paid by foreign-invested enterprises to their non-PRC parent companies. However, pursuant to the implementation rules of the PRC EIT Law, a reduced withholding income tax rate of 10% shall be applicable in such case. In addition, due to the Arrangement between the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income, signed on 21 August 2006 (the “**Hong Kong Tax Treaty**”), a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more interest in that particular PRC subsidiary, or 10% if it holds less than a 25% interest in that subsidiary. In addition, SAT promulgated a tax notice on 27 October 2009 (“**Circular 601**”), which provides that tax treaty benefits will be denied to “conduit” or shell companies without business substance, and a beneficial ownership analysis will be used based on a “substance-over-the-form” principle to determine whether or not to grant tax treaty benefits. It is unclear at this early stage whether Circular 601 applies to dividends from our PRC subsidiaries paid to us through our Hong Kong subsidiaries. It is possible however, that under Circular 601, the Hong Kong subsidiaries would not be considered as the “beneficial owner” of any such dividends, and that such dividends would as a result be subject to income tax withholding at the rate of 10% rather than the favourable 5% rate applicable under the Hong Kong Tax Treaty.

Currently, Tenfu HK is entitled to enjoy the preferential withholding income tax at the rate of 5%. If preferential treatment relating to the withholding income tax on the dividends received from our PRC subsidiaries become unavailable as a result of the changes in the tax arrangement between the PRC and Hong Kong or for any other reason as mentioned above, our financial condition and results of operations could be adversely affected. Moreover, our historical results of operations may not be indicative of our results of operations for future periods as a result of the expiration of the tax benefits currently available to us.

In addition, due to ambiguities in the PRC EIT Law and its implementation rules, a withholding tax at the rate of 10% may also be applicable to dividends payable to investors (excluding individual natural persons) that are non-resident enterprises to the extent such dividends are sourced within the PRC. Similarly, any gain realised on the transfer of our Shares by such investors is also subject to a withholding tax at the rate of 10% if such gain is regarded as income derived from sources within the PRC. If we are considered a resident enterprise in the PRC, it is unclear whether the dividends we pay with respect to our Shares would be treated as income derived from sources within the PRC and be subject to PRC income tax. If we are required under the PRC EIT Law to withhold PRC income tax on our dividends payable to our foreign Shareholders, or if you are required to pay PRC income tax on the transfer of the Shares, the value of your investment in our Shares may be materially and adversely affected. Please see the section entitled “Risk Factors – We may be classified as a “resident enterprise” for PRC enterprise income tax purposes; such classification could result in unfavourable tax consequences to us and our non-PRC Shareholders.” in this prospectus.

RISK FACTORS

Compliance with the PRC Labour Contract Law may increase our labour costs.

The PRC Labour Contract Law* (中華人民共和國勞動合同法) became effective on 1 January 2008. The PRC Labour Contract Law imposes requirements relating to, among others, minimum wage, severance payment and non-fixed term employment contracts, and establishes time limits for probation periods as well as the duration and the number of times that an employee can be placed on a fixed term employment contract. It also provides that social insurance is required to be paid for the employees and the employees are entitled to unilaterally terminate the labor contract if this requirement is not satisfied.

Pursuant to the PRC Labour Contract Law, our PRC subsidiaries are required to enter into a written labour contract with an employee upon the commencement of the employment or within one month after the commencement of the employment and to enter into non-fixed term employment contracts with employees who have consecutively worked for them for more than ten years or, unless otherwise provided under the PRC Labour Contract Law, for whom a fixed term employment contract has been concluded for two consecutive terms. Under the PRC Labour Contract Law, we may not be able to efficiently terminate non-fixed term employment contracts without cause as provided. In addition, we are also required to make severance payments to employees under the fixed term contracts upon the expiration of their employment contracts, unless the employee voluntarily rejects an offer to renew the contract in circumstances where the conditions offered by the employer are the same as or better than those stipulated in the current contract. The amount of severance payment is calculated based on the monthly wage of the employee multiplied by the number of years that the employee was employed by the employer, unless the employee's monthly wage is three times greater than the average monthly wage in the relevant district or locality, in which case the calculation of the severance payment will be based on a monthly wage equal to three times the local average monthly wage multiplied by a maximum of twelve years.

If we fail to comply with the relevant labour laws and regulations of the PRC, we may be exposed to penalties or be required to pay damage compensations to employees. Compliance with the relevant labour laws and regulations may substantially increase our labour costs. We cannot assure you that any employment disputes or strikes will not arise in the future. Increases in our labour costs and future disputes with our employees could adversely affect our business, financial condition or results of operations.

It may be difficult to effect service of process upon us or our Directors or Senior Management who reside in the PRC or to enforce against them in the PRC any judgements obtained from non-PRC courts.

We are incorporated in the Cayman Islands. The majority of our Directors and our Senior Management reside within the PRC. Almost all of our assets and some of the assets of those persons are located within the PRC. It may not be possible for investors to effect service of process upon us or those persons inside the PRC.

The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgements made by courts of most other jurisdictions. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned, or the Arrangement, pursuant to which a party with a final court judgement rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a

RISK FACTORS

choice of court agreement in writing may apply for recognition and enforcement of the judgement in the PRC. Similarly, a party with a final judgement rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgement in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. As a result, it may be difficult or impossible for investors to effect service or process against our assets, directors or executive officers in the PRC in order to seek recognition and enforcement for foreign judgements in the PRC.

Furthermore, the PRC does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgements awarded by courts of the United States, the United Kingdom, or most other western countries or Japan. Hence, the recognition and enforcement in the PRC of judgements of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and their liquidity and market price may be volatile.

Prior to the Global Offering, there has been no public market for our Shares. The initial Offer Price for our Shares to the public will be the result of negotiations between us and the Joint Global Coordinators (on behalf of Underwriters), and the Offer Price may differ significantly from the market price of the Shares following the Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for the Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the Shares will not decline following the Global Offering. In addition, the trading price and trading volume of the Shares may be subject to significant volatility in responses to various factors, including but not limited to:

- variations in our operating results;
- changes in financial estimates by securities analysts;
- announcements made by us or our competitors;
- regulatory developments in the PRC affecting us, our customers or our competitors;
- investors' perception of us and of the investment environment in Asia, including Hong Kong and the PRC;
- developments in the tea, tea ware and snack food product markets;
- changes in pricing made by us or our competitors;
- acquisitions by us or our competitors;
- the depth and liquidity of the market for our Shares;

RISK FACTORS

- additions to or departures of, our executive officers and other members of our senior management;
- release or expiry of lock-up or other transfer restrictions on our Shares;
- sales or anticipated sales of additional Shares; and
- the general economy and other factors.

Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

Current volatility in the global financial markets could cause significant fluctuations in the price of our Shares.

Financial markets around the world have been experiencing heightened volatility and turmoil since late 2007. Upon listing, the price and trading volume of our Shares will likely be subject to similar market fluctuations which may be unrelated to our operating performance or prospects. Factors that may significantly impact the volatility of our Share price include, among other things:

- developments in our business sector or in the financial sector generally, including the effect of direct governmental action in the financial markets;
- the operating and securities price performance of companies that investors consider to be comparable to us; and
- changes in global financial and credit markets and global economies and general market conditions, such as interest or foreign exchange rates as well as stock and commodity valuations and volatility.

As a result of these market fluctuations, the price of our Shares may decline significantly, and you may lose a significant value on your investments.

Mr. Lee Rie-Ho, Mr. Lee Shih-Wei and Mr. Lee Chia Ling, all of whom are members of the family and senior members of our management, beneficially own a substantial number of our outstanding Shares and, as a result, have significantly greater influence over us and our corporate actions relative to our public Shareholders and their individual and/or collective interests may not be aligned with the interests of other Shareholders.

As of the date of this prospectus, Mr. Lee Rie-Ho, Mr. Lee Shih-Wei and Mr. Lee Chia Ling, each of who are members of the family and senior members of our management, beneficially own 18.5%, 0.5%, and 37.1% of the outstanding Shares of our Company. Assuming that the Over-allotment Option is not exercised, these members of our senior management will own 46.53% of our outstanding Shares immediately upon the completion of the Global Offering. These members of our senior management may continue to have significant influence in determining the outcome of any corporate transactions or other matters submitted to our Shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. These members of our senior management may also not act in the best interests of our minority Shareholders. In addition, without the consent of Mr. Lee Rie-Ho, Mr. Lee Shih-Wei and Mr. Lee Chia Ling we could be prevented from entering into transactions that

RISK FACTORS

could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our company and might reduce the price of our Shares. These actions may be taken even if they are opposed by our other Shareholders.

Your interest in us may be diluted in the future.

We may need to raise additional funds in the future to finance business expansion, whether related to existing operations or new acquisitions. If additional funds are raised through the issuance of our new equity or equity-linked securities other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of our existing Shareholders, including you, may be reduced, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders, including you.

Purchase of Offer Shares may incur an immediate and substantial dilution in net tangible book value per Share as a result of the Global Offering.

The Offer Price of the Offer Shares is substantially higher than the net tangible book value per Share. Therefore, purchasers of the Offer Shares in the Global Offering may experience an immediate and substantial dilution in net tangible book value per Share as a result of the Global Offering.

You may face difficulties in protecting your interests because we are incorporated under Cayman Islands law, which may provide less protection to minority shareholders than the laws of Hong Kong and other jurisdictions.

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Companies Law. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions. Such differences may mean that our minority Shareholders, including you, may have less protection than they and you would otherwise have under the laws of other jurisdictions. Please see the section entitled “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix V to this prospectus.

Facts and statistics in this prospectus relating to the PRC economy and the Chinese tea leaves, tea snacks and tea ware industries in the PRC may not be fully reliable.

Facts and statistics in this prospectus relating to the PRC and the industries in which we operate, including those relating to the PRC economy and the traditional Chinese tea leaves, tea snacks and tea ware market in the PRC, are derived from various publications of governmental agencies or independent third parties, including a commissioned report issued by Euromonitor International, and obtained in communications with various governmental agencies or independent third parties which we believe are reliable. We cannot guarantee, however, the quality or reliability of these materials. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any material fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Joint Sponsors, the Underwriters or any other party involved in the Global Offering and we cannot ensure the accuracy and completeness of such information, or ensure that any such information is consistent with other information publicly available or available from other sources. Investors should give consideration as to how much weight or importance they should attach to or place on such facts or statistics and should not place undue reliance on them.

RISK FACTORS

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain statements that are “forward-looking” and uses forward-looking terminology such as “anticipate,” “believe,” “expect,” “estimate,” “plan,” “consider,” “would,” “may,” “ought to,” “should” or “will.” Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Purchasers of our Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard include, but are not limited to those identified in this “Risk Factors” section, many of which are not within our control. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us that our plans and objectives will be achieved and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong and in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong.

Our core business and operations are substantially based in the PRC. It would be practically difficult and commercially unnecessary for us to relocate our executive Directors to Hong Kong. Therefore, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from compliance with Rule 8.12 of the Listing Rules on the following conditions:

- (i) We have appointed and will continue to maintain two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange and ensure that they comply with the Listing Rules at all times. Our two authorised representatives are Mr. Lee Min-Zun, one of our Directors and Ms. Mok Ming Wai, our Company Secretary. Mr. Lee Min-Zun holds valid travel document to visit Hong Kong. As such, each of our authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email (if applicable). Each of our authorised representatives has been authorised to communicate on our behalf with the Stock Exchange. We have been registered as a non-Hong Kong company under the Companies Ordinance and Ms. Mok Ming Wai has also been authorised to accept service of legal process and notices in Hong Kong on our behalf.
- (ii) All our authorised representatives (including the alternate) have means to contact all of our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required. To enhance communication between the Stock Exchange, our authorised representatives and our Directors, we will implement a policy that (a) each Director will have to provide his office phone number, mobile telephone number, fax number and email address to our authorised representatives; (b) in the event that a Director expects to travel or is out of office, he will have to provide the telephone number of the place of his accommodation to our authorised representatives or maintain an open line of communication via his mobile telephone; and (c) all our Directors and authorised representatives will provide their respective office phone numbers, mobile telephone numbers, fax numbers and email addresses (if applicable) to the Stock Exchange.
- (iii) We have appointed Polaris as our compliance adviser, pursuant to Rule 3A.19 of the Listing Rules, which will have access at all times to our authorised representatives, our Directors and the senior management of the Company, and will act as an additional channel of communication between the Stock Exchange and us for the period commencing on the Listing Date and ending on the date on which we distribute our annual report for the first full year after the Listing Date in accordance with Rule 13.46 of the Listing Rules.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (iv) Meetings between the Stock Exchange and our Directors could be arranged through our authorised representatives or the compliance adviser, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change in our authorised representatives and/or the compliance adviser in accordance with the Listing Rules.

CONNECTED TRANSACTIONS

We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirement under Chapter 14A of the Listing Rules for certain non-exempt continuing connected transactions. For details of, please see the section entitled “Connected Transactions” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, contains particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Joint Global Coordinators, the Underwriters, any of their respective directors, agents, employees or advisers or any other parties involved in the Global Offering.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offer. For applicants under the Hong Kong Public Offer, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offer.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters. The International Underwriting Agreement is expected to be entered into on or around the Price Determination Date, subject to agreement on the Offer Price between us and the Joint Global Coordinators (on behalf of the Underwriters). Further details about the Underwriters and the underwriting arrangements are contained in the section entitled "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date.

If we and the Joint Global Coordinators (on behalf of the Underwriters) are unable to reach an agreement on the Offer Price not later than 22 September 2011, the Global Offering will not become unconditional and will lapse.

SELLING RESTRICTIONS

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offer will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may fall to be issued under the Over-allotment Option), Shares to be issued pursuant to the Capitalisation Issue and Shares which may be issued under the Share Option Scheme. Save as disclosed in this prospectus, no part of our Share or loan capital is listed on or dealt in on any other stock exchange. At present, we are not seeking or proposing to seek such listing of, or permission to deal in, our Shares or loan capital on any other stock exchange.

HONG KONG REGISTER AND STAMP DUTY

All of the Shares issued and sold pursuant to applications made in the Hong Kong Public Offer and the International Placing will be registered on our register of members to be maintained in Hong Kong. We will maintain our principal register of members at our head office in the Cayman Islands.

Dealings in the Shares registered in our Hong Kong register will be subject to stamp duty in Hong Kong.

Unless we determine otherwise, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on our Hong Kong share register, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares should consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of and dealing in the Shares. It is emphasised that none of us, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, any of our and their respective directors, agents or advisers or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares.

OVER-ALLOTMENT AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out in the section entitled “Structure of the Global Offering”.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for the Hong Kong Offer Shares is set out in the section entitled “How to Apply for Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section entitled “Structure of the Global Offering” in this prospectus.

CURRENCY TRANSLATIONS

In this prospectus, unless otherwise stated, certain amounts denominated in Renminbi have been translated into HK dollars or U.S. dollars at an exchange rate of RMB0.8193 = HK\$1.00 or RMB6.3860 = US\$1.00, respectively, for illustration purpose only. Such conversions shall not be construed as representations that amounts in Renminbi were or could have been or could be converted into HK dollars or U.S. dollars at such rates or any other exchange rates on such date or any other date.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

LANGUAGE

If there is any inconsistency between the Chinese names of companies, entities, laws or regulations and their English translations, the Chinese names shall prevail. The English translation of names of companies, entities, laws or regulations in Chinese or another language which are marked with “*” and vice versa are for identification purposes only.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
Executive Directors		
Lee Rie-Ho (李瑞河)	Level 2 Ruiyuan Building Pantuo Town Zhangpu County, Zhangzhou City Fujian province PRC	Taiwanese
Lee Shih-Wei (李世偉)	Room 3104 Xintiandi Paradise No. 12, Jianye Road Siming District, Xiamen Fujian province PRC	Taiwanese
Lee Chia Ling (李家麟)	130 Cairnhill Road #07-03 229717 Singapore	Singaporean
Lee Kuo-Lin (李國麟)	315 W Lemon Avenue Arcadia, CA 91007 the United States	Taiwanese
Lee Min-Zun (李銘仁)	Room 3405 No. 7, Jianye Road Xiamen Fujian province PRC	Taiwanese
Non-executive Director		
Tseng Ming-Sung (曾明順)	No. 33, Sec. 1 Wuchang Street Zhongzheng District Taipei Taiwan	Taiwanese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Independent non-executive Directors

Lo Wah Wai (盧華威)	Flat C, 19th Floor Block 1, The Astrid 180 Argyle Street Kowloon Hong Kong	Chinese
Lee Kwan Hung (李均雄)	Flat D, 26/F, Tower 2 Ronsdale Garden, 25 Tai Hang Drive Jardine's Lookout Hong Kong	Chinese
Fan Ren Da, Anthony (范仁達)	9A, Haddon Court 41C Conduit Road Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors,

Joint Global Coordinators,

Joint Bookrunners

and Joint Lead Managers

Credit Suisse (Hong Kong) Limited
Level 88, International Commerce Centre
One Austin Road West
Kowloon
Hong Kong

China International Capital Corporation
Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Polaris Securities (Hong Kong) Limited
Rooms 1003-4, Tower 1
Admiralty Centre
18 Harcourt Road
Hong Kong

Legal advisers to our Company

As to Hong Kong law and United States law:
Sidley Austin
39/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to PRC law:
Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road
Beijing 100025
PRC

As to Cayman Islands law:
Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

As to Taiwan law:
Lee and Li, Attorneys-at-Law
7/F, 201 Tun Hua North Road
Taipei
Taiwan

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal advisers to the Joint Sponsors
and the Underwriters**

As to Hong Kong law and United States law:

Herbert Smith
23/F, Gloucester Tower
15 Queen's Road Central
Central
Hong Kong

As to PRC law:

Commerce & Finance Law Offices
6/F NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District
Beijing 100022
PRC

Reporting accountant

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince Building
Central
Hong Kong

Property valuer

Vigers Appraisal & Consulting Limited
10/F The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong

Receiving bankers

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Wing Lung Bank Limited
45 Des Voeux Road Central
Hong Kong

CORPORATE INFORMATION

Registered office	P.O. Box 2681 Cricket Square Hutchins Drive Grand Cayman KY1-1111 Cayman Islands
Head office in the PRC	15/F, Paragon Center Commercial Building No. 1, Lianyue Road Xiamen 361012 PRC
Principal place of business in Hong Kong registered under Part XI of the Companies Ordinance	Room 2210, 22/F 3 Lockhart Road Wanchai Hong Kong
Company's website	www.tenfu.com (<i>information contained in this website does not form part of this prospectus</i>)
Company secretary	Mok Ming Wai (<i>HKICS</i>)
Authorised representatives	Lee Min-Zun 3405 No. 7 Jian-Ye Road, Xiamen Fujian province PRC Mok Ming Wai 8/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Audit committee	Lo Wah Wai (<i>Chairman</i>) Tseng Ming-Sung Fan Ren Da, Anthony Lee Kwan Hung
Remuneration committee	Fan Ren Da, Anthony (<i>Chairman</i>) Lee Rie-Ho Lo Wah Wai Lee Kwan Hung Lee Chia Ling
Nomination committee	Lee Kwan Hung (<i>Chairman</i>) Lee Kuo-Lin Fan Ren Da, Anthony Lo Wah Wai

CORPORATE INFORMATION

Compliance adviser

Polaris Securities (Hong Kong) Limited
Rooms 1003-4, Tower 1
Admiralty Centre
18 Harcourt Road
Hong Kong

Principal bankers

Bank of China Limited
Zhangpu Sub-branch
No. 92 Chao Yang Road
Sui An Town, Zhangpu County
Fujian province
PRC

Bank of Communications Co. Ltd.
Xiamen Branch
No. 599 He Xiang W. Road
Si Ming District, Xiamen
Fujian province
PRC

**Cayman Islands share registrar
and transfer office**

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong
Investor Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

INDUSTRY OVERVIEW

This section contains certain information which is derived from official government publications and industry sources as well as a report we commissioned from Euromonitor International, an Independent Third Party. A total fee of US\$125,250 was paid to Euromonitor International for the preparation of the report. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information derived from the above sources has not been independently verified by us, the Joint Sponsors, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. Unless otherwise indicated, all figures in this industry overview section are in nominal terms.

REPORT COMMISSIONED FROM EUROMONITOR INTERNATIONAL

We commissioned a report from Euromonitor International, an Independent Third Party, to conduct an analysis of, and to report on, the branded traditional Chinese tea leaves, Chinese tea ware and tea snacks market in the PRC for the period from 2000 to 2013. Euromonitor International has been engaged in a number of market assessment projects in connection with initial public offerings in Hong Kong, covering the PRC's consumer products industries in particular. The report commissioned has been prepared by Euromonitor International independent of our influence.

Research Objective

In preparing its report, Euromonitor International designed a trade research program whose objective was to deliver quantitative and qualitative findings in relation to:

- the market size in retail value of the unbranded and branded traditional Chinese tea leaves, Chinese tea ware and tea snack markets in the PRC;
- the market size in retail value of sub-categories of branded traditional Chinese tea leaves in the PRC, including non-fermented green tea, partially-fermented Oolong tea, fully fermented black tea, post-fermented Pu'er tea and flower tea;
- the leading companies in the PRC for (a) each sub-category of the branded traditional Chinese tea leaves market, (b) the Chinese tea ware market and (c) the tea snack market; and
- the key trends and drivers that are influencing, and will influence the branded traditional Chinese tea leaves, Chinese tea ware and tea snack markets in the PRC.

Research Methodology

Euromonitor International primarily undertook top-down central research with bottom-up intelligence to present a comprehensive and accurate picture of the branded traditional Chinese tea leaves, Chinese tea ware and tea snack markets in the PRC.

INDUSTRY OVERVIEW

Secondary Research

Syndicated Intelligence

Euromonitor International gathered information from multiple, relevant published data sources, including:

- official sources, such as the National Statistics Bureau of China;
- statistics, reports and databases, such as the “The PRC Tea Statistical Report”;
- trade associations and other semi-official sources, such as The PRC Tea Marketing Association;
- independent analysts or research groups’ reports; and
- Euromonitor International Passport data system.

Furthermore, Euromonitor International reconciled these sources against any existing information and knowledge.

Company Research

Where relevant, brief corporate intelligence and background information was drawn from sources such as annual reports and financial sheets published by leading market participants.

Primary Research

Euromonitor International conducted qualitative and quantitative based trade interviews not identified by numbers of survey samples, but by the assessment of the quality of answers received, and the analysis of that data intelligently and transparently.

To generate an industry consensus on the market size and growth for the branded traditional Chinese tea leaves, Chinese tea ware and tea snack markets in the PRC, Euromonitor International conducted trade interviews with multiple organisations including companies, distributors and retailers, as well as industry trade associations, governmental and semi-public organisations and other observers of these markets. Euromonitor International believes that interviewing respondents from different departments within companies and multiple organizations across the value chain enables coverage of a range of issues and helps reconcile a spectrum of data and opinions.

Data validation and integrity assessment

Euromonitor International’s primary and secondary sources are standardized, checked and validated against other primary and secondary sources to ensure a robust research feed for its analysis. Furthermore, a critical analysis of all sources is conducted whereby Euromonitor International compared data, insights and hypotheses to arrive at a set of data and conclusions.

Projection

Euromonitor International adopted its standard practice of both quantitative and qualitative forecast in terms of market size and trends on the basis of a comprehensive and in-depth review of the historical development of the relevant market, and a cross-check with established industry figures or trade interviews. Estimated statistics for future periods up to 2013 have been derived based on this projection methodology.

INDUSTRY OVERVIEW

INTRODUCTION

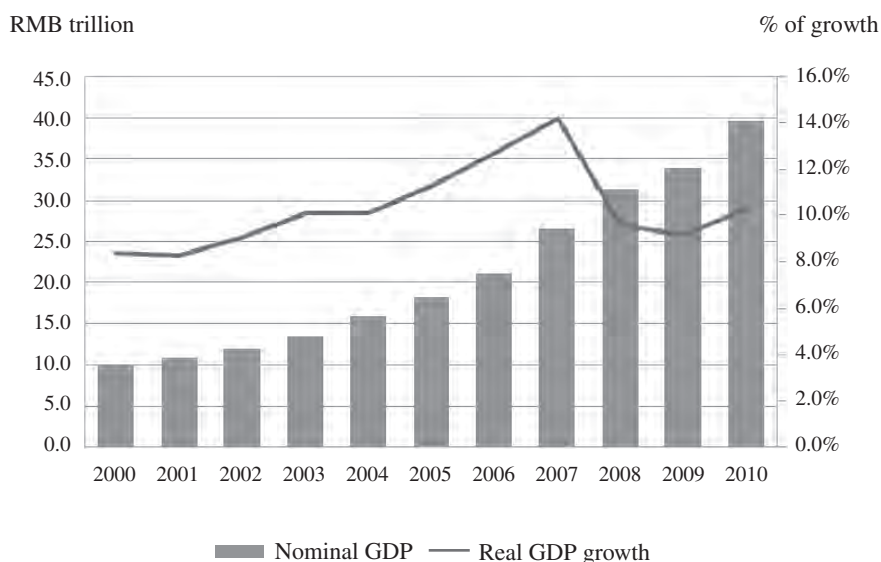
We are engaged in the sale and marketing of a comprehensive range of tea products and the development of product concepts, tastes and packaging designs in the PRC, including traditional Chinese tea leaves, tea snacks and tea ware. We believe that the performance of the traditional Chinese tea market is driven primarily by the growth of the Chinese economy and, in particular, urbanisation, increases in the disposable income of urban households and strong consumer spending growth in the PRC.

OVERVIEW OF CHINA'S ECONOMY

Strong Growth of the PRC's Economy

The PRC's economy has expanded rapidly since the adoption of reform and market liberalisation policies by the Chinese government beginning in the late 1970s. The PRC's economy has demonstrated strong and steady growth over the last three decades and has become one of the largest economies in the world. From 2000 to 2010, according to 中華人民共和國國家統計局 (National Bureau of Statistics of China*), the PRC's nominal GDP grew from RMB9.9 trillion to RMB39.8 trillion and its nominal per capita GDP grew from RMB7,858.0 to RMB29,695.5, representing a CAGR of approximately 14.9% and 14.2%, respectively. The real GDP growth rate was 10.3% in 2010, higher than that of 2008 and 2009 when the real GDP growth rate was negatively impacted by the global financial crisis. The following charts set out the nominal GDP and nominal per capita GDP of the PRC between 2000 and 2010.

Nominal GDP and Real GDP Growth



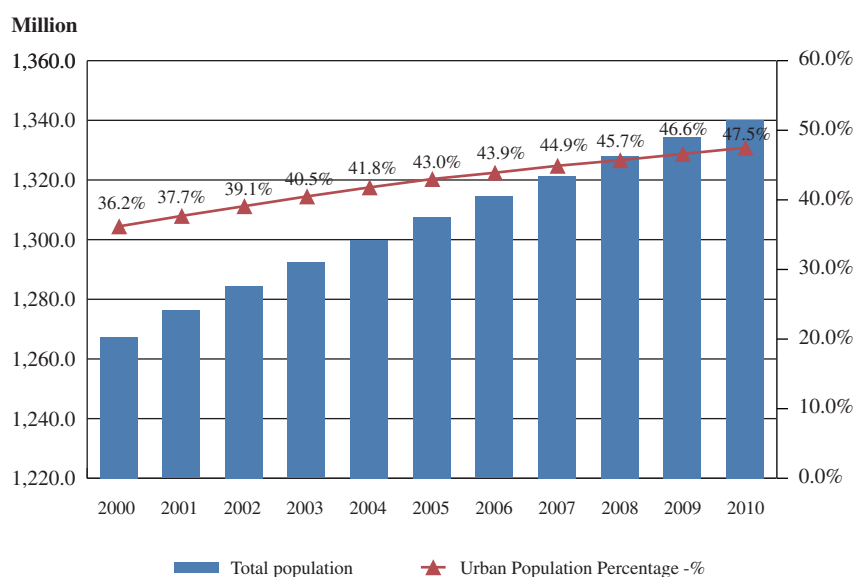
Source: National Bureau of Statistics of China

INDUSTRY OVERVIEW

Rapid Urbanisation and Increasing Disposable Income

Industrialisation and economic growth in the PRC have resulted in rapid urbanisation through the migration of rural populations to urban areas and the development of towns into cities. According to the National Bureau of Statistics of China, the total urban population in the PRC increased from 459.1 million as of the end of 2000 to 636.6 million as of the end of 2010, representing a CAGR of 3.3%. During the same period, the urban population as a percentage of the total population increased from 36.2% to 47.5%, and is projected to continue to increase rapidly over the next decade or more. The following chart sets forth the growth of the total population in the PRC and the percentage of urban population to the total population from 2000 to 2010.

Total Population and Urban Population as Percentage of Total Population

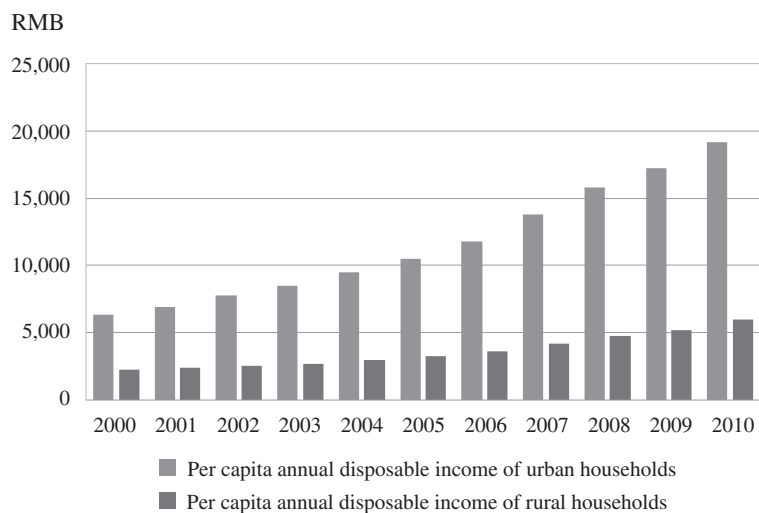


Source: National Bureau of Statistics of China

INDUSTRY OVERVIEW

Growth in the economy and the proportion of urban residents is associated with improvements in living standards and increases in income levels in the PRC. According to the National Bureau of Statistics of China, per capita annual disposable income of urban households in the PRC has increased from RMB6,280.0 in 2000 to RMB19,109.0 in 2010, representing a CAGR of 11.8%. During the same period of time, per capita annual disposable income of rural households increased from RMB2,253.0 in 2000 to RMB5,919.0 in 2010, representing a CAGR of 10.1%. The following charts set forth per capita annual disposable income of urban households and per capita annual disposable income of rural households in the PRC from 2000 to 2010.

Per Capita Annual Disposable Income of Urban Households and Per Capita Annual Disposable Income of Rural Households



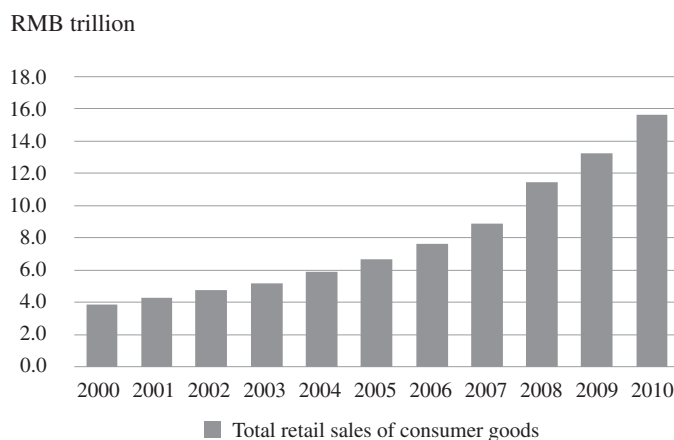
Source: National Bureau of Statistics of China

INDUSTRY OVERVIEW

Strong Consumer Spending Growth

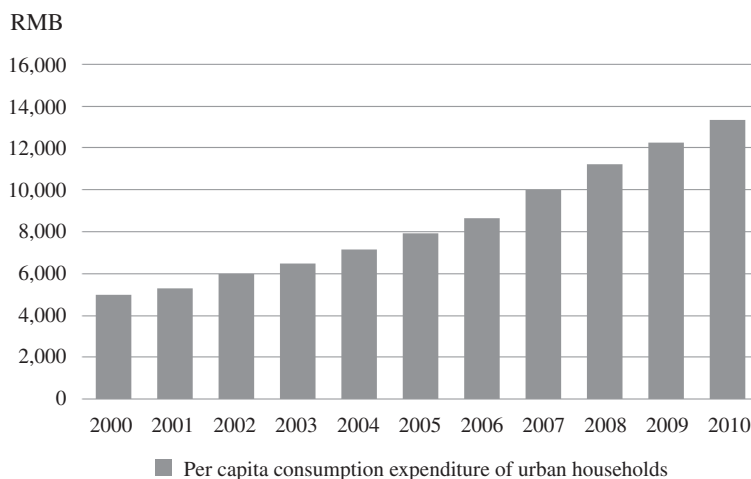
Rising personal income and rapid urbanisation have coincided with an increase in consumer spending in the PRC. According to the National Bureau of Statistics of China, total retail sales of consumer goods in the PRC increased from RMB3.9 trillion in 2000 to RMB15.7 trillion in 2010, representing a CAGR of 14.9%, while per capita consumption expenditure of urban households increased from RMB4,998.0 in 2000 to RMB13,391.6 in 2010, representing a CAGR of 10.4%. The following charts show the growth of total retail sales of consumer goods in the PRC and per capita consumption expenditure of urban households from 2000 to 2010.

Total Retail Sales of Consumer Goods



Source: National Bureau of Statistics of China

Per Capita Consumption Expenditure of Urban Households



Source: National Bureau of Statistics of China

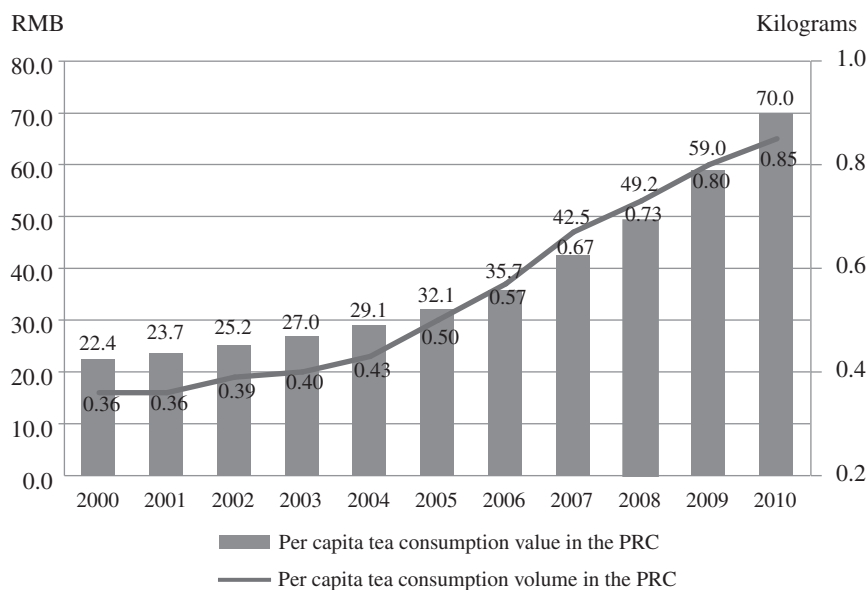
INDUSTRY OVERVIEW

THE TRADITIONAL CHINESE TEA MARKET IN THE PRC

With approximately 25% of the world's population, the PRC consumed approximately 1.1 million tonnes of traditional Chinese tea in 2010, representing 0.85kg of per capita tea consumption. Although per capita tea consumption in the PRC is currently well below that of major developed countries, Euromonitor International believes that the macroeconomic factors described above, along with the PRC's well-promoted tea-drinking traditions and cultures, will support the growth of the Chinese tea industry over the next several years.

The chart below illustrates the PRC's historical per capita tea consumption from 2000 to 2010:

Per Capita Tea Consumption



Source: Euromonitor International

According to Euromonitor International, branded Chinese green tea and Oolong tea are the most heavily consumed tea products in the PRC, representing approximately 66.5% and 13.4% of the PRC's total tea consumption in 2010.

Given the increase in per capita Chinese tea consumption, the retail market for tea in the PRC also experienced significant growth from 2000 to 2010. According to Euromonitor International, retail sales of tea increased from RMB28,435.7 million in 2000 to RMB93,774.6 million in 2010, representing a CAGR of 12.7%. Euromonitor International estimates that the retail tea market in the PRC will achieve a CAGR of 11.7% from 2011 to 2013.

According to Euromonitor International, the PRC was also the world's largest producer of tea in 2010, with total production of approximately 1.45 million tonnes of tea, accounting for approximately 33% of worldwide tea production in that year.

INDUSTRY OVERVIEW

Unbranded Traditional Chinese Tea Leaves Market Overview

The relatively low price of unbranded traditional Chinese tea leaves has made it affordable for a wide range of Chinese consumers. As a result, Euromonitor International estimates that the unbranded traditional Chinese tea leaves segment still made up more than 65.0% of the total tea industry in the PRC in 2010.

Retail sales of unbranded traditional Chinese tea leaves increased from RMB21,308.9 million in 2000 to RMB60,954.6 million in 2010, representing a CAGR of 11.1%. Euromonitor International estimates that the CAGR for retail sales of unbranded traditional Chinese tea leaves to be 10.4% between 2011 and 2013, lower than that of the tea industry as a whole. In addition, Euromonitor International estimates that, as consumers switch from purchasing unbranded traditional Chinese tea leaves to branded traditional Chinese tea leaves, the market share of unbranded traditional Chinese tea leaves will fall from 65.0% in 2010 to 62.9% in 2013.

Branded Traditional Chinese Tea Leaves Market Overview

Retail sales of branded traditional Chinese tea leaves increased from RMB7,126.8 million in 2000 to RMB32,820.0 million in the PRC in 2010, representing a CAGR of 16.5%. The growth of the branded traditional Chinese tea leaves segment is primarily attributable to rapid economic growth and a growing middle class population, as an increased number of Chinese consumers are “trading-up” from unbranded traditional Chinese tea leaves to branded tea products. With rising purchasing power and increased brand awareness, the PRC’s middle-class population (households with annual income between RMB60,000 to RMB500,000) is becoming the largest segment of the customer base for branded traditional Chinese tea leaves, as these consumers are not only considering price in their retail consumption decisions and branded traditional Chinese tea leaves is perceived to be of higher quality and better taste.

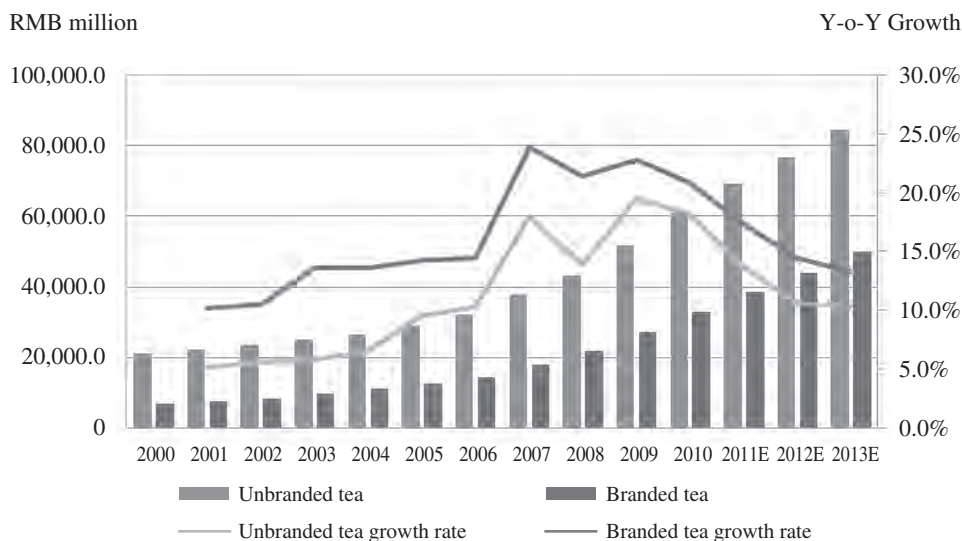
The PRC’s urban consumers are also placing more emphasis on convenience when making retail purchases. As a result, distribution channels for branded tea products such as hypermarkets, specialist tea stores and independent small tea grocers are gaining popularity. Euromonitor International also believes that the PRC’s aging population will help to support sales of branded tea products as middle-class consumers increasingly purchase such products for elderly family members. The increasing trend of affluent consumers to give premium branded consumer products as gifts during holidays and special occasions have also contributed to the growth of the branded traditional Chinese tea leaves market.

Euromonitor International estimates that the PRC’s branded traditional Chinese tea leaves market will increase at a CAGR of 13.9% between 2011 and 2013, with total retail sales reaching RMB49,944.7 million by 2013. According to Euromonitor International, the market share of branded tea products, as a percentage of the total market for tea products, will increase from 35.0% in 2010 to 37.1% in 2013.

INDUSTRY OVERVIEW

The chart below illustrates the market size and year-on-year growth rate of the PRC branded tea market for the periods indicated.

Market Size and Year-on-Year Growth Rate of Branded Traditional Chinese Tea Leaves and Unbranded Traditional Chinese Tea Leaves



Source: Euromonitor International

Branded Traditional Chinese Tea Leaves Segments

Non-Fermented Green Tea

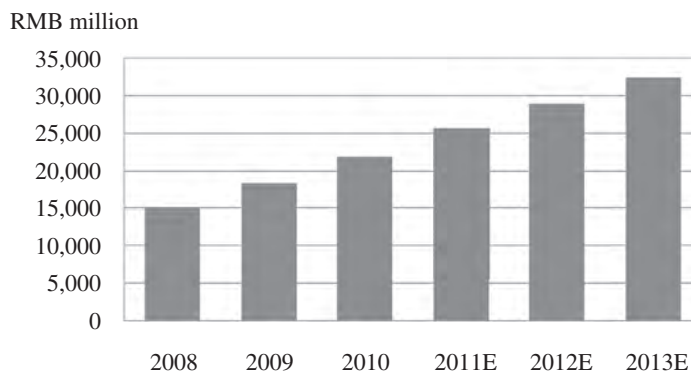
Non-fermented green tea is the major sub-category of the branded traditional Chinese tea leaves market in the PRC, representing approximately 66.5% of the total market. According to Euromonitor International, retail sales of packaged green tea increased from RMB15,058.6 million in 2008 to RMB21,815.5 million in 2010, representing a CAGR of 20.4%.

Taking into account the historical preference for and the perceived health benefits of green tea amongst Chinese consumers, Euromonitor International estimates that sales of branded green tea will increase at a CAGR of 12.9% between 2011 and 2013, with sales reaching RMB32,329.2 million by 2013.

INDUSTRY OVERVIEW

The chart below illustrates the market size of the PRC branded green tea for the periods indicated.

Non-Fermented Branded Green Tea Market Size in the PRC



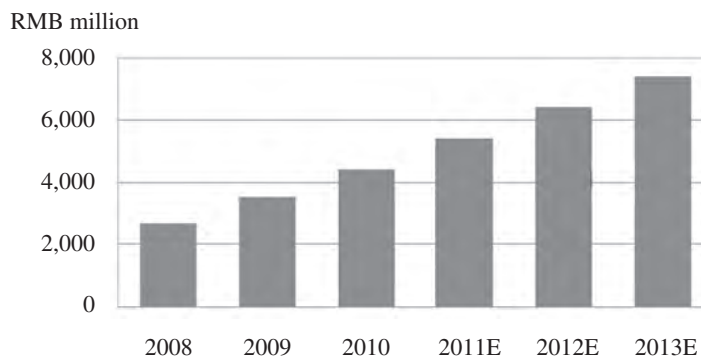
Source: Euromonitor International, statistical data for the period prior to 2008 is unavailable as the sources available to Euromonitor International prior to 2008 are not accurate

Partially-Fermented Oolong Tea

Euromonitor International estimates that retail sales of branded Oolong tea increased from RMB2,651.6 million in 2008 to RMB4,409.5 million in 2010, representing a CAGR of 29.0%. Taking into account the increasing preference for, and the perceived health benefits of, Oolong tea amongst Chinese consumers, Euromonitor International estimates that sales of branded Oolong tea will increase at a CAGR of 17.2% between 2011 and 2013, with total sales reaching RMB7,389.0 million by 2013.

The chart below illustrates the market size of the PRC branded Oolong tea for the periods indicated.

Partially-Fermented Branded Oolong Tea Market Size in the PRC



Source: Euromonitor International, statistical data for the period prior to 2008 is unavailable as the sources available to Euromonitor International prior to 2008 are not accurate

INDUSTRY OVERVIEW

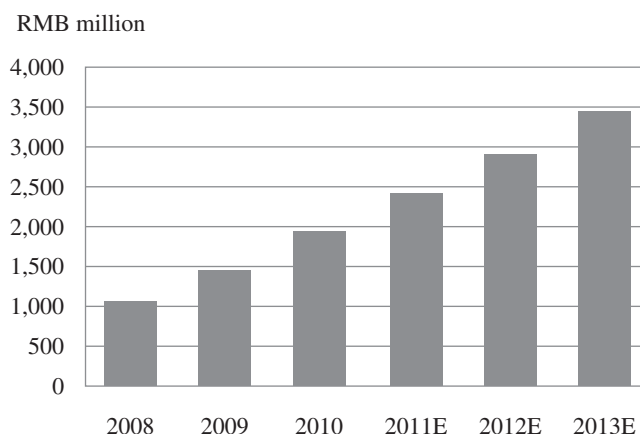
Fully-Fermented Black Tea

According to Euromonitor International, retail sales of branded black tea increased from RMB1,049.6 million in 2008 to RMB1,945.3 million in 2010, representing a CAGR of 36.1%. Euromonitor International estimates that sales of branded black tea products will increase at a CAGR of 19.5% between 2011 and 2013, with total sales reaching RMB3,461.3 million by 2013.

Black tea (unlike green tea and Oolong tea) is also widely consumed in markets outside of the PRC and, as a result, manufacturers of black tea in the PRC distribute a significant portion of their production for export.

The chart below illustrates the market size of the PRC branded black tea for the periods indicated.

Fully-Fermented Branded Black Tea Market Size in the PRC



Source: Euromonitor International, statistical data for the period prior to 2008 is unavailable as the sources available to Euromonitor International prior to 2008 are not accurate

Post-Fermented Pu'er Tea

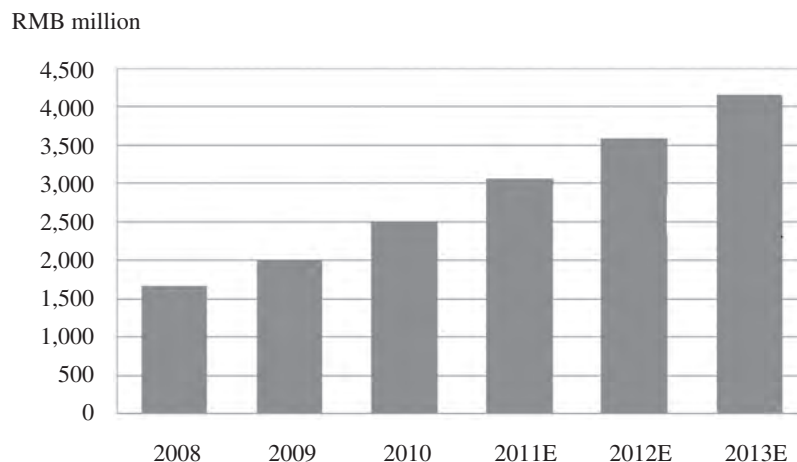
According to Euromonitor International, retail sales of branded Pu'er tea increased from RMB1,657.2 million in 2008 to RMB2,500.0 million in 2010, representing a CAGR of 22.8%. Euromonitor International estimates a CAGR of 17.0% for sales of branded Pu'er between 2011 and 2013, with total sales reaching RMB4,140.6 million by 2013.

Between 2006 and 2007, Pu'er tea experienced significant price increases amid increased demand and a shortage of supply in 2010 due to weather conditions in the PRC. Euromonitor International expects that the price for branded Pu'er tea going forward will remain relatively stable.

INDUSTRY OVERVIEW

The chart below illustrates the market size of the PRC branded Pu'er tea for the periods indicated.

Post-Fermented Branded Pu'er Tea Market Size in the PRC



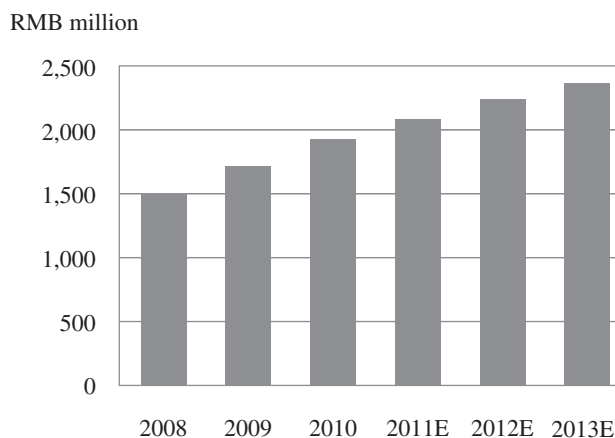
Source: Euromonitor International, statistical data for the period prior to 2008 is unavailable as the sources available to Euromonitor International prior to 2008 are not accurate

Flower Tea

The major category of flower tea in the PRC is jasmine tea, which is a blend of green, black, Oolong or white tea combined with the fragrant and flavourful jasmine flowers. Euromonitor International estimates that retail sales of branded flower tea in the PRC increased from RMB1,502.5 million in 2008 to RMB1,931.7 million in 2010, representing a CAGR of 13.4%. Euromonitor International forecasts a CAGR of 6.5% for sales of branded flower tea between 2011 and 2013, with total sales reaching RMB2,364.0 million by 2013.

The chart below illustrates the market size of the PRC branded flower tea for the periods indicated.

Flower Tea Market Size in the PRC



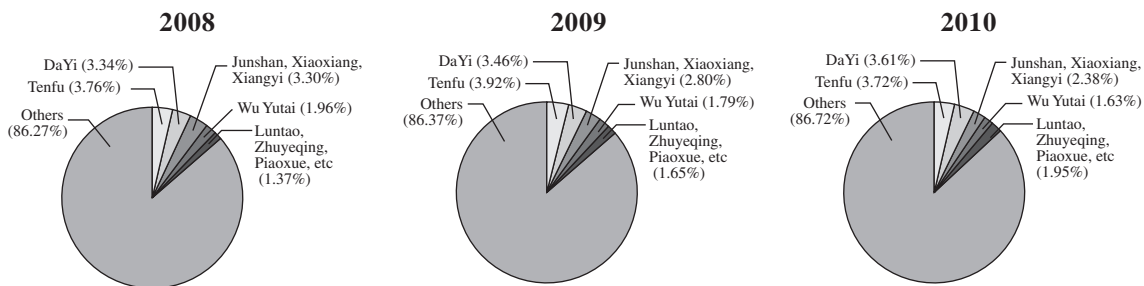
Source: Euromonitor International, statistical data for the period prior to 2008 is unavailable as the sources available to Euromonitor International prior to 2008 are not accurate

INDUSTRY OVERVIEW

Competitive Landscape of the Traditional Chinese Tea Market in the PRC

With over 5,000 tea companies and retailers, the retail tea market in the PRC has become increasingly competitive over the last several years. Euromonitor International believes that increased per capita consumption of branded traditional Chinese tea leaves amongst urban consumers will be the major factor driving the growth of the industry in the coming years.

The following pie charts illustrates the respective market share of the top Chinese tea leaves brands in the PRC, in terms of retail sales value, from 2008 to 2010.

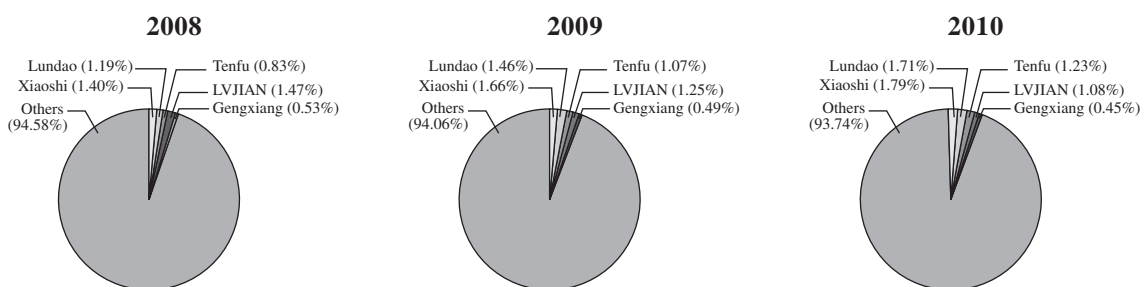


Source: Euromonitor International

Non-fermented green tea

The market for non-fermented green tea is fragmented in the PRC, with the top five brands accounting for 6.3% of the market share in this segment in 2010.

The following pie charts illustrates the respective market share of the top Chinese tea leaves brands for non-fermented green tea in the PRC in terms of retail sales value, from 2008 to 2010.



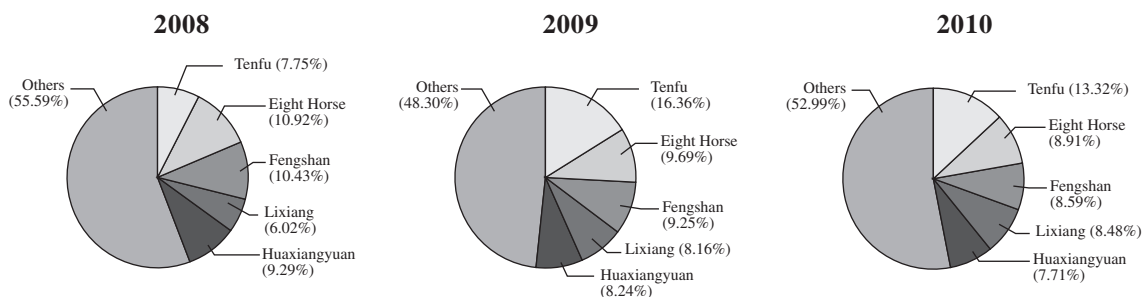
Source: Euromonitor International

INDUSTRY OVERVIEW

Partially-fermented Oolong Tea

The partially-fermented Oolong tea market is relatively consolidated in the PRC, with market share of 47% amongst the top five brands in this segment in 2010.

The following pie charts illustrate the respective market share of the top Chinese tea leaves brands for partially-fermented Oolong tea in the PRC, in terms of retail sales value, from 2008 to 2010.

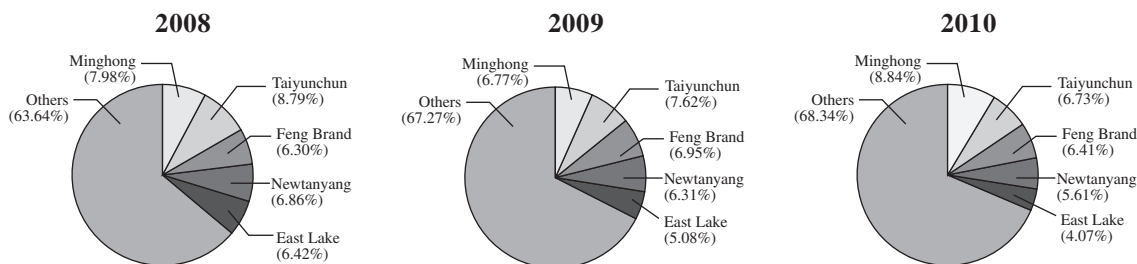


Source: Euromonitor International

Fully-fermented Black Tea

The fully-fermented black tea market is a fragmented market in the PRC with the top five brands accounting for 31.7% of the market in this segment in 2010.

The following pie charts illustrate the respective market share of the top Chinese tea leaves brands for fully-fermented black tea in the PRC, in terms of retail sales value, from 2008 to 2010.



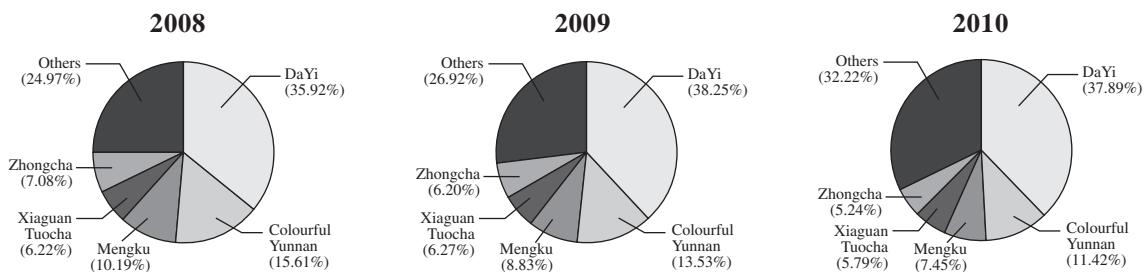
Source: Euromonitor International

INDUSTRY OVERVIEW

Post-fermented Pu'er Tea

The Pu'er tea market in the PRC is relatively consolidated, with market share of 67.8% amongst the top five brands in this segment in 2010.

The following pie charts illustrate the respective market share of the top Chinese tea leaves brands for post-fermented Pu'er tea in the PRC, in terms of retail sales value, from 2008 to 2010.

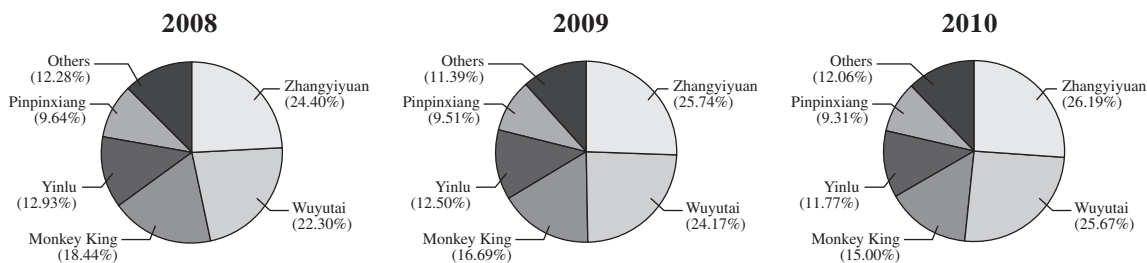


Source: Euromonitor International

Flower Tea

Flower tea market is a very consolidated market in the PRC, with market share of 87.9% amongst the top five brands in this segment in 2010.

The following pie charts illustrate the respective market share of the top Chinese tea leaves brands for flower tea in the PRC, in terms of retail sales value, from 2008 to 2010.



Source: Euromonitor International

Set forth below is the background information on the owners of the tea leaves brands mentioned above, according to Euromonitor International.

Colorful Yunnan – Kunming Colorful Yunnan Qingfengxiang Tea Co Ltd

It was founded in 2006 and engages in planting, producing, processing, R&D and sales of pu'er tea.

DaYi – DaYi Tea Group

It engages primarily in the business of producing, selling and exporting pu'er tea.

East Lake – Fuan Chenghu Tea Co Ltd

It is a black tea company. It exports its packaged black tea products to overseas countries and regions.

INDUSTRY OVERVIEW

Eight Horse – Eight Horse Tea Co Ltd

It engages primarily in the business of tea planting, tea production, tea processing and tea exporting.

Feng Brand – Yunnan Dianhong Group

It is a black tea company founded in 1939.

Fengshan – Anxi Tieguanyin Group

Previously known as the Fujian Tieguanyin Tea Factory, it engages primarily in the business of tea planting, tea production, tea processing and sales.

Gengxiang – Gengxiang Tea Co Ltd

It was founded in 1997 and engages in the business of manufacturing packaged green tea.

Huaxiangyuan – Xiamen Huaxiangyuan Industrial Co Ltd

It is an oolong tea manufacturer based in An'xi, Fujian province.

Junshan, Xiaoxiang, Xiangyi – Hunan Tea Co Ltd

It engages in the business of planting, producing, processing, R&D and selling tea products. Its products range covers green tea, black tea, flower tea, pu'er tea and oolong tea.

Lixiang – Quanzhou Lixiang Tea Co Ltd

It is an oolong tea company based in Quanzhou, Fujian province and engages in the business of planting, producing, sales and R&D of oolong tea.

Lundao – Zhuyeqing Tea Company Co Ltd

Previously known as the Zhuyeqing Tea Factory, it engages in the business of green tea's planting, production, R&D, sales and export.

LVJIAN – Zhejiang Zhuji Lvjian Tea Co Ltd

It is based in the Zhejiang province and engages in the business of producing and selling packaged green tea.

Mengku – Yunnan Shuangjiang Mengku Tea Co Ltd

Previously known as the Shuangjiang Tea Factory, it engages in the pu'er tea business.

Minghong – Fujian Tanyang Gongfu Group

It engages in the business of planting, producing, selling and exporting black tea in China.

Monkey King – Hunnan Monkey King Tea Co Ltd

It has been established for more than 50 years and engages in the production, R&D and exports of tea products.

INDUSTRY OVERVIEW

Newtanyang – Fujian New Tan Yang Tea Group

It is a black tea company founded in 1996.

Pinpinxiang – Fujian Pinpinxiang Tea Co Ltd

It is based in the Fujian province and engages in the business of planting, producing, processing, sales and R&D of tea products.

Taiyunchun – Fujian Taiyunchun Tea Co Ltd

Previously known as the Wujiashan Tea Farm, it is a black tea company and it also exports to overseas countries and regions.

Wuyutai – Beijing Wuyutai Tea Co Ltd

It was founded in 1997 and engages in the business of producing, processing and selling tea products.

Xiaguan Tuocha – Yunnan Xiaguan Tuocha Group

Previously known as the Yunnan Xiaguan Tea Factory, it engages in the pu'er tea business.

Xiaoshi – Yichang Xiaoshi Tea (Group) Co Ltd

Previously known as the Xichang Xiaoshi Tea Co Ltd, it engages in the business of manufacturing packaged green tea.

Yinlu – Fujian Aofeng Mingrong Tea Co Ltd

It is a flower tea company based in Fujian province.

Zhangyiyuan – Beijing Zhangyiyuan Tea Co Ltd

Previously known as the Zhangyiyuan Tea House, it is a tea-product company based in Beijing and traces its establishment back to 1900.

Zhongcha – China Tea Group

It was founded in 1949 and engages in the planting, producing, processing, R&D and sales of tea.

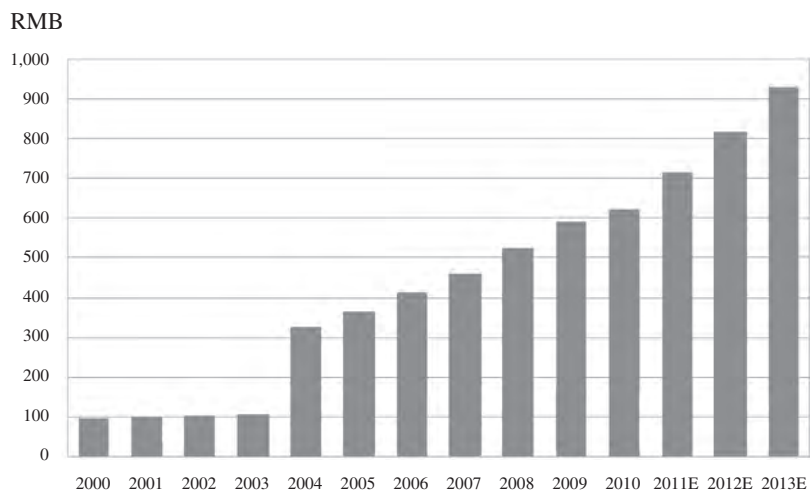
INDUSTRY OVERVIEW

BRANDED CHINESE TEA WARE MARKET IN CHINA

In line with the PRC's tea-drinking traditions and cultures, Chinese tea ware is also a traditional culture of the PRC.

Retail sales of branded Chinese tea ware increased from RMB97.8 million in 2000 to RMB622.0 million in 2010, representing a CAGR of 20.3%. It is estimated that the CAGR for retail sales of branded Chinese tea ware is expected to be 14.1% between 2011 and 2013. The following chart shows the growing market size of branded Chinese tea ware for the periods indicated.

Branded Chinese Tea Ware Market Size in the PRC



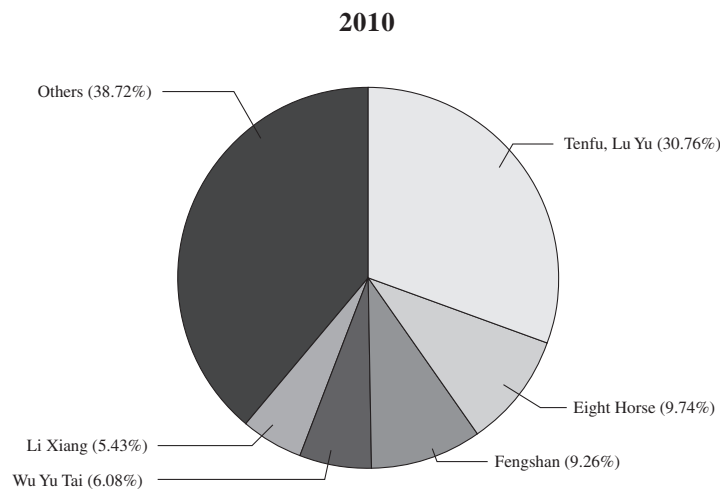
Source: Euromonitor International

Note: The increase in market size of the branded Chinese tea ware in 2004 was stimulated by both the purple sand tea ware and pottery tea ware. The former was promoted by the Yixing local government and the latter was promoted by tea ware manufacturers located in Fujian in 2004.

INDUSTRY OVERVIEW

Competitive Landscape of the branded Chinese Tea Ware Market in the PRC

The market for branded Chinese tea ware in the PRC is relatively consolidated. The top five Chinese tea ware brands, in terms of 2010 retail sales value, represented 61.3% market share in 2010. The following pie chart illustrates the respective market share of the top Chinese tea ware brands in the PRC, in terms of retail sales value, in 2010.



Source: Euromonitor International

Set forth below are the background information on the owners of the brands mentioned above, according to Euromonitor International.

Eight Horse – *Eight Horse Tea Co Ltd* (please refer to the description of the owner of this brand above).

Fengshan – *Anxi Tieguan Yin Group* (please refer to the description of the owner of this brand above)

Li Xiang – *Quanzhou Lixiang Tea Co Ltd* (please refer to the description of the owner of this brand above).

Wu Yu Tai (please refer to the description of the owner of this brand above).

INDUSTRY OVERVIEW

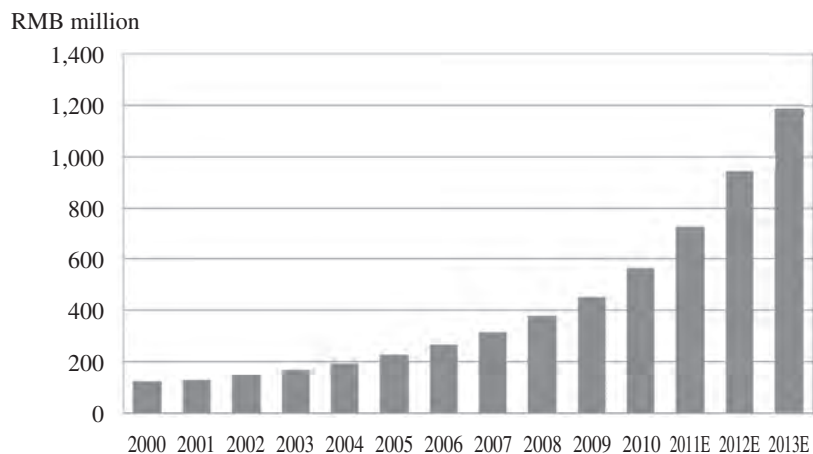
BRANDED TEA SNACKS MARKET IN CHINA

Tea snacks have become an emerging industry in the PRC. Retail sales of branded Chinese tea snacks increased from RMB121.6 million in 2000 to RMB566.6 million in 2010, representing a CAGR of 16.6%.

There are, according to Euromonitor International, three sub-categories in the tea snacks market in the PRC: tea flavoured biscuits, tea flavoured fruit candy and tea flavoured preserved fruits. According to Euromonitor International, tea flavoured biscuits represent the largest sub-category with approximately 68.0% of the branded tea flavoured snacks market in the PRC. However, tea flavoured fruit candy and tea flavoured preserved fruits are being accepted by an increasing number of Chinese consumers, and the market share of both of these sub-categories is expected to increase in the forecast period.

According to Euromonitor International, it is estimated that the CAGR for retail sales of branded tea snacks will be 28.0% between 2011 and 2013. The following chart illustrates the growing market size of branded tea snacks in the PRC for the periods indicated.

Branded Tea Snacks Market Size in the PRC

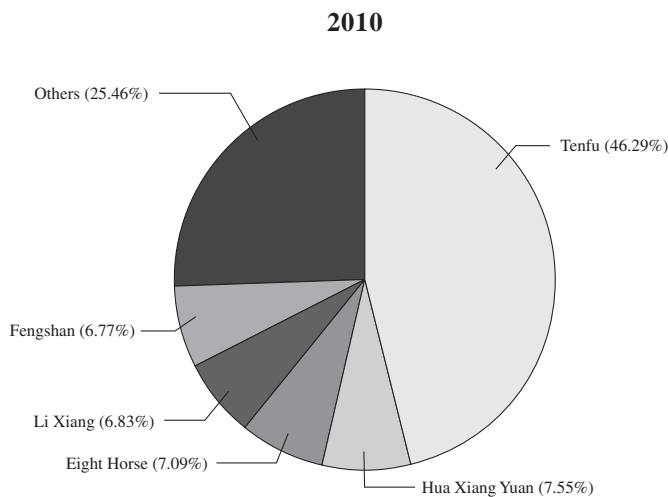


Source: Euromonitor International

INDUSTRY OVERVIEW

Competitive Landscape of the Branded Tea Snacks Market in the PRC

The market for the tea snacks in the PRC is relatively consolidated. The top five tea snacks brands represented 74.5% of the total market share of branded tea snacks market in the PRC in 2010. The following pie chart illustrates the respective market share of the top tea snacks brands in the PRC, in terms of retail sales value, in 2010.



Source: Euromonitor International

Set forth below are the background information on the owners of the brands mentioned above, according to Euromonitor International.

Eight Horse (please refer to the description of the owner of this brand above).

Fengshan (please refer to the description of the owner of this brand above).

Huaxiangyuan – Xiamen Huaxiangyuan Industrial Co Ltd (please refer to the description of the owner of this brand above).

Li Xiang (please refer to the description of the owner of this brand above).

REGULATIONS

This section sets out summaries of the most significant PRC laws and regulations applicable to our operations and business.

Catalogue of Industries for Guiding Foreign Investment

According to the Catalogue of Industries for Guiding Foreign Investment (as amended in 2007) (《外商投資產業指導目錄(2007年修訂)》), the Catalogue, promulgated by MOFCOM and NDRC, which became effective on 1 December 2007, foreign investments in various industries are classified into four categories: encouraged, permitted, restricted and prohibited. Foreign investment in the encouraged category is entitled to certain preferential treatment and incentives extended by the government, while foreign investment in the restricted category is permitted but subject to certain restrictions under PRC law. Foreign investment in the prohibited category is not allowed.

The sub-industries of “non-pollution cultivation techniques of tea and serialized development and production of tea products” and “development and production of tea beverage” are included in the encouraged category, and other tea-relevant industries except “processing of green tea and special tea with Chinese traditional techniques (famous tea and dark tea, etc.)”, which falls into the prohibited category, are in the permitted category. Wholesale and retail of tea and related products is categorised as permitted industry.

Regulations on Foreign Investment in Commercial Field

According to the Measures for the Administration on Foreign Investment in Commercial Fields (《外商投資商業領域管理辦法》) which is issued by MOFCOM on 16 April 2004, foreign investment in the commercial fields, including wholesale and retail, must comply with certain admission conditions, such as registered capital, aggregate investment and operation period.

Foreign investors, which intend to establish new foreign-invested commercial enterprises in the PRC, and foreign-invested commercial enterprises, which intend to open new stores in the PRC, shall apply with relevant provincial competent commerce authorities for the establishment of or opening up of new stores by foreign-invested commercial enterprises. The relevant provincial competent commerce authorities shall make preliminary examination on the application and report to MOFCOM for its final approval. On 12 September 2008, MOFCOM released the Notice on Decentralization of the Authority to Examine and Approve Foreign-invested Commercial Enterprises (《關於下放外商投資商業企業審批事項的通知》), under which, subject to a few exceptions where MOFCOM maintains the approval authority, the power to examine and approve establishment and change of foreign-invested commercial enterprises has been generally granted to provincial competent commercial authorities.

Laws and Regulations on Food Production Industry

Laws and Regulations on Food Safety

The PRC has established a series of laws and regulations to strengthen the control on production, operation and sales of food.

According to the Food Safety Law of the PRC (《中華人民共和國食品安全法》) adopted by the National People’s Congress Standing Committee on 28 February 2009 and implemented on 1 June 2009, and its implementation rules, the food safety standard is compulsory. The health administrative department (衛生行政部門) of the State Council is responsible for formulating and announcing national food safety standards. Where there are no national food safety standards, the

REGULATIONS

provincial health administrative authorities may formulate their own local food safety standards. If there are no national food safety standards or local standards, enterprises should formulate their own enterprise standards to regulate their own food production.

In addition, in the Food Safety Law of the PRC, the PRC has introduced a licensing system on food production and operation. Enterprises that operate food production or food circulation shall obtain relevant licenses in accordance with law.

Regulations on Food Production Permits

Pursuant to the Measures for the Administration of Food Production Permits (《食品生產許可管理辦法》), promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC on 7 April 2010 and effective as of 1 June 2010, enterprises engaging in food production shall satisfy a series of standards and apply with competent quality supervision authorities for food production permits, and those who commerce food production without a food production permit shall be subject to confiscation of illegal income, confiscation of production instruments and products, fines and other administrative penalties.

Regulations on Food Circulation Permits

Pursuant to the Measures for the Administration of Food Circulation Permits (《食品流通許可證管理辦法》), promulgated by SAIC and effective as of 30 July 2009, enterprises or enterprise branches engaging food circulation shall comply with certain standards and apply with competent administrative authorities of industry and commerce for food circulation permits, and those who fail to obtain such permits before their commencement of food circulation business will be subject to confiscation of illegal income, confiscation of operation instrument and products fine or other administrative penalties.

Law on Product Quality

In accordance with the Product Quality Law of the PRC (《中華人民共和國產品質量法》), which was promulgated on 22 February 1993 and amended on 8 July 2000, a product seller shall undertake the responsibilities (i) to adopt a check-for-acceptance system for stock replenishment to examine the quality certificates and other labels of such stock; (ii) to take measures in keeping products for sale in good quality; (iii) not to sell defective or deteriorated products or products which have been publicly ordered to cease sales; (iv) to sell products with labels that comply with the relevant provisions; (v) not to forge the origin of a product, or falsely use the name and address of another producer; (vi) not to forge or falsely use product quality marks such as authentication marks; and (vii) not to mix impurities or imitations into the products, substitute a fake product for a genuine one, a defective product for a high-quality one, or pass off a substandard product as a qualified one in the sale of products, and a product producer shall (i) be responsible for the quality of products it produces; (ii) not produce products that have been publicly ordered to cease production; (iii) not forge the origin of a product, or to forge or falsely use the name and address of another producer; (iv) not forge or falsely use product quality marks such as authentication marks of another producer; (v) not mix impurities or imitations into the products, substitute a fake product for a genuine one, a defective product for a high-quality one, or pass off a substandard product as a qualified one in the production; (vi) ensure that the marks on the products or the packaging of the products are true; and (vii) ensure that, for products that are easily broken, inflammable, explosive, toxic, erosive or radioactive and products that can not be handled up-side-down in the process of storage or transportation or for which there are other special requirements, the packaging thereof must meet the corresponding requirements, carry warning marks or warnings written in Chinese or draw attention to the method of handling in accordance with the relevant provisions of the state.

REGULATIONS

Law on Consumer Protection

The Consumer Protection Law of the PRC (《中華人民共和國消費者權益保護法》), which was promulgated on 31 October 1993 and implemented on 1 January 1994 sets out standards of behaviour which business operators must observe in their dealings with consumers, including, among others, (i) goods and services provided to consumers must comply with the Product Quality Law and other relevant laws and regulations, including requirements regarding personal safety and protection of property; (ii) providing consumers with true information and advertising concerning goods and services, as well as providing true and clear answers to questions raised by consumers concerning the quality and use of goods or services provided by them; (iii) issuing purchase or service vouchers to consumers in accordance with relevant national regulations or business practices or upon their request of a consumer; (iv) ensuring the quality, functionality, applications and duration of use of the goods or services under normal use and ensuring that the actual quality of the goods or services are consistent with that displayed in advertising materials, product descriptions or samples; (v) properly performing its responsibilities for guaranteed repair, replacement and return or other liability in accordance with national regulations or any agreement with the consumer; and (vi) not setting unreasonable or unfair terms for consumers or excluding themselves from civil liability for undermining the legal rights and interests of consumers by means of standard contracts, circulars, announcements, shop notices, etc.

Violations of the above Consumer Protection Law may result in the imposition of fines. In addition, the business operator will be ordered to suspend its operations and its business licence will be revoked. Criminal liability may be incurred in serious cases. According to the Consumer Protection Law, a consumer whose legal rights and interests are prejudiced during the purchase or use of goods may demand compensation from the seller. Where the responsibility lies with the manufacturer or another seller that provides the goods to the seller, the seller shall, after settling compensation, have the right to recover such compensation from that manufacturer or that other seller. Consumers or other injured parties who suffer injury or property losses due to product defects in commodities may demand compensation from the manufacturer as well as the seller. Where the responsibility lies with the manufacturer, the seller shall, after settling compensation, have the right to recover such compensation from the manufacturer, and vice versa.

Law on Trademark

The Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated on 23 August 1982, amended on 22 February 1993 and on 27 October 2001, seeks to improve the administration of trademarks, protect the right to exclusive use of trademarks and encourage producers and operators to guarantee the quality of their goods and services and maintain the reputation of their trademarks, so as to protect the interests of consumers and of producers and operators. Under this law, any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark: (i) using a trademark which is identical with or similar to the registered trademark on the same kind of commodities or similar commodities without a licence from the registrant of that trademark; (ii) selling the commodities that infringe upon the right to exclusive use of a registered trademark; (iii) forging, manufacturing without authorisation the marks of a registered trademark of others, or selling the marks of a registered trademark forged or manufactured without authorisation; (iv) changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of that trademark; and (v) causing other damage to the right to exclusive use of a registered trademark of another person. In the event of any abovementioned acts which infringe upon the right to the exclusive use of a registered trademark, the infringer would be imposed a fine, ordered to stop the infringement acts immediately, and give the infringed party compensation.

REGULATIONS

Law on Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》) last amended on 27 December 2008, patent protection is divided into three categories: invention patents, utility patents and design patents. Invention patents are intended to protect new technology or measures for a product, method or its improvement. Utility patents are intended to protect new technology or measures to increase the utility of a product's shape, structure or combination. Design patents are intended to protect new designs of a product's shape, graphic or colour with aesthetic and industrial application value. Products seeking design patent protection must not be the same as or similar to those previously released in domestic or overseas publications, publicly used in the country or infringe upon third parties' legal rights. During the protection period, no individual or entity is permitted to engage in the manufacture, use, sale or import of the product protected by such patent without the consent of the patent holder.

Regulations on Foreign Exchange

Pursuant to the Regulations of the PRC on Foreign Exchange Administration (《中華人民共和國外匯管理條例》) promulgated in 1996 and amended in 2008 and various regulations issued by SAFE and other relevant PRC governmental authorities, the Renminbi is freely convertible only to the extent of current account items, such as trade-related receipts and payments, interest and dividends. Capital account items, such as direct equity investments, loans and repatriation of investments, require the prior approval of SAFE or its local counterpart for conversion of Renminbi into a foreign currency, such as U.S. dollars, and remittance of the foreign currency outside the PRC.

Laws and Regulations on Dividend Distribution

According to the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》) and the Implementation Rules for Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》), wholly foreign-owned enterprises in the PRC may pay dividends out of their accumulated profits after certain taxes are properly paid in accordance with relevant PRC tax laws and certain funds, including general reserve fund and staff welfare and bonus fund, are properly retained. Under the previous effective PRC tax law, dividends payable to foreign investors by foreign-invested enterprises were exempt from PRC withholding tax. On 16 March 2007 and 6 December 2007 respectively, the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), or the New EIT Law, and the Implementation Regulation for Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), or the Implementation Regulation, were promulgated by the National People's Congress and the State Council, both of which came into effect on 1 January 2008. Pursuant to the New EIT Law and the Implementation Regulation, dividend income between qualified PRC resident enterprises is exempt from enterprise income tax, while dividends payable by a foreign invested enterprise to non-PRC investors that are "non-PRC resident enterprises" shall be subject to the enterprise income tax at the rate of 10%, to the extent such dividends are derived from sources within the PRC, unless such non-PRC investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement. According to the Arrangement between the PRC and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), the PRC government grants a preferential withholding tax treatment to the Hong Kong investors, which means that the PRC withholding tax rate levied on the dividend payments made by a foreign invested enterprise to its Hong Kong investors shall be 5% if such Hong Kong investors

REGULATIONS

hold no less than 25% of the equity ownership of the aforesaid foreign invested enterprise. However, on 20 February 2009, the SAT promulgated the Notice on Relevant Issues concerning Implementation of Dividend Clauses under Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》), or the 2009 Notice. Pursuant to the 2009 Notice, the transaction or the arrangement, with the major purpose of obtaining any preferential tax treatment, shall not justify the application of preferential treatment stipulated in dividend clauses under tax treaties. If the tax payer improperly enjoys the preferential treatment under tax treaties as a result of the abovementioned transaction or arrangement, the tax authority in charge shall be entitled to make adjustment. As the 2009 Notice is newly issued, it remains unclear how the PRC tax authorities will implement it in practice.

Laws and Regulations on Taxation

Laws and Regulations on Enterprise Income tax

The PRC enterprise income tax is calculated based on taxable income determined under PRC accounting principles. Prior to 1 January 2008, foreign invested enterprises established in the PRC were generally subject to an income tax rate of 30% and a local income tax rate of 3%, while PRC domestic companies were generally subject to an enterprise income tax rate of 33%. And the PRC government has provided various incentives to foreign-invested enterprises to encourage foreign investments. Such incentives include reduced tax rates and other measures.

Pursuant to the New EIT Law and the Implementation Regulation, the enterprise income tax rate for both domestic and foreign invested enterprises is unified at 25% effective from 1 January 2008. However, according to the New EIT Law and its relevant implementation rules, there is a transition period for previous preferential tax policies: enterprises which were established prior to 16 March 2007 and were eligible for preferential tax rates according to then effective tax laws and regulations will continue to enjoy low tax rate and will gradually transit to the new tax rate of 25% within 5 years from the effective date of the New EIT Law, and enterprises which were established prior to 16 March 2007 and were eligible for preferential tax reduction or exemption within a fixed time will continue to enjoy such treatment until such fixed term expires except that the relevant exemption or reduction shall start from 1 January 2008 if the first profitable year for the relevant enterprise is later than 1 January 2008.

Under the New EIT Law, the enterprise income tax shall be generally levied at the rate of 25%. A non-resident enterprise without agency or establishment within the PRC, or with its income irrelevant to any of its agency or establishment in the PRC, shall be subject to an enterprise income tax rate of 20% for the income generated in the PRC, which, according to the Implementation Regulation, is reduced to 10%. Pursuant to the New EIT Law, preferential tax treatments will be granted to specially supported and encouraged industries and projects, the details of which are provided in the Implementation Regulations.

On 9 January 2009, the SAT promulgated the Interim Measures for the Administration of Withholding at Source of Enterprise Income Tax for Non-resident Enterprises (《非居民企業所得稅源泉扣繳管理暫行辦法》), or the Interim Measures, which took effect retroactively on 1 January 2009. In accordance with the Interim Measures, if a non-resident enterprise receives the income originating from the PRC, or the taxable income, including equity investment income such as dividend and bonus, interest, rental and royalty income, income from property transfer and other incomes, the EIT payable on the taxable income shall be withheld at the source by the enterprise or the individual who is directly obligated to make relevant payment to the non-resident enterprise under relevant laws or contracts.

REGULATIONS

Regulations on Value-added Tax

According to the amended Interim Regulation of Value-added Tax of the PRC* (中華人民共和國增值稅暫行條例) and the amended Detailed Rules for the Implementation of the Interim Regulation of Value-added Tax of the PRC* (中華人民共和國增值稅暫行條例實施細則), both of which became effective since 1 January 2009, all entities and individuals engaged in the sale of goods, provision of processing, repair and replacement services, and the import of goods within the territory of the PRC are taxpayers of value-added tax. Ordinary tax payers shall pay the value-added tax at the rate of 13% or 17%, while small-scale tax payers shall pay the value-added tax at the rate of 3%.

Laws and Regulations on Environmental Protection

We are subject to a variety of PRC environmental protection laws and regulations. The major environmental regulations applicable to us include the PRC Environmental Protection Law* (中華人民共和國環境保護法), the PRC Water Pollution Prevention Law* (《中華人民共和國水污染防治法》), the PRC Atmospheric Pollution Prevention Law* (中華人民共和國大氣污染防治法), the PRC Environmental Impact Assessment Law* (中華人民共和國環境影響評價法), the PRC Environmental Noise Pollution Prevention Regulations* (中華人民共和國環境噪聲污染防治法) and the regulations governing environmental protection in construction projects. In addition, general environmental regulations relating to the treatment of industrial waste are also applicable to us.

In accordance with the abovementioned laws and regulations, manufacturing enterprise shall adopt measures to control environmental pollution and harm resulting from dust, waste gas, waste water, solid waste materials, noise and vibration at the manufacturing site. The Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部) (formerly known as State Environmental Protection Administration* (國家環境保護總局)) and its local counterparty are responsible for the supervision and administration of environmental protection during the course of manufacturing. A breach of any of such regulations may result in the imposition of fines and penalties and even curtailment or suspension of business operations of enterprises.

Laws and Regulations on Labor and Social Insurance

In accordance with the Labor Contract Law of the PRC* (中華人民共和國勞動合同法), effective from 1 January 2008, employers and employees should enter into written employment contracts to establish their employment relationship. When hiring employees, employers are required to inform the employees of their job duties, working conditions, working places, occupational hazards, production safety conditions, remuneration and other matters employees may be concerned with. Employers and employees should fully perform their respective obligations in accordance with the commitments set forth in the employment contracts. Employers should pay remuneration to employees on time and in full in accordance with the commitments set forth in the employment contract and the PRC regulations, strictly adhere to the working quota standards, and are prohibited from compelling employees to work overtime. At the time of terminating an employment contract, the employers should provide evidence for such termination and arrange for the worker to transfer his/her file and social insurance relations with in 15 days.

According to the Regulation on Occupational Injury Insurance* (工傷保險條例) effective from 1 January 2004 and amended on 20 December 2010, the Interim Measures Concerning the Maternity Insurance of Enterprises Employees* (企業職工生育保險試行辦法), effective from 1 January 1995, employers should pay occupational injury insurance fees and maternity insurance fees for their employees.

REGULATIONS

Under the Interim Regulations Concerning the Levy of Social Insurance Fees* (社會保險費徵繳暫行條例) implemented from 22 January 1999 and the Interim Measures Concerning the Administration of the Registration of Social Insurance* (社會保險登記管理暫行辦法) adopted since 19 March 1999, employers in the PRC should register social insurance with the local social insurance authorities, and make contributions to the basic pension insurance fund, basic medical insurance fund and unemployment insurance fund for their employees.

According to the Regulation Concerning the Administration of Housing Fund* (住房公積金管理條例) implemented since 3 April 1999 and amended on 24 March 2002, employers in the PRC must register with the housing fund management centre. Employers will then need to open housing fund accounts with entrusted banks for their employees and contribute to the fund at a rate of not less than 5% of the employee's average monthly salary in the previous year.

On 28 October 2010, the Standing Committee of the National People's Congress of the PRC promulgated the Law on Social Insurance of the PRC (《中華人民共和國社會保險法》), effective as of 1 July 2011. Under this law, the state shall establish basic pension insurance, basic medical insurance, occupational injury insurance, unemployment insurance, maternity insurance and other social insurance system to maintain citizens' right to receive material assistance from the state and society in the case of seniority, illness, occupational injury, unemployment, maternity or other circumstances. According to the Law of Social Insurance of the PRC, employers and employees shall pay social insurance contributions in accordance with the law, and be entitled to enquire about records of payment and individual interests and require social insurance agencies to provide advice or other services relating to social insurance, and employees shall be entitled to enjoy social insurance benefits and supervise contribution payment by their employers in accordance with the law.

Laws and Regulations on Work Safety

Pursuant to the PRC Labor Law* (中華人民共和國勞動法), an employer should establish and enhance its system for labor safety, strictly abide by the PRC rules and standards on labor safety, educate employees to prevent occupational injury, and provide employees with labor safety conditions meeting the government regulations and necessary articles of labor protection.

Pursuant to the Production Safety Law of the PRC* (中華人民共和國安全生產法), effective from 1 November 2002 and amended on 27 August 2009, production and operating enterprises should be equipped with the safety conditions for production asset out in the Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. Any entities that do not comply with such safety conditions will not be allowed to be engaged in any production or operating activities. Production and operating units should provide education and training programs to their employees regarding production safety. The design, manufacturing, installation, application, checking, maintenance, reforming and abandonment of safety facilities should follow the national standards or industrial standards. In addition, production and operating units should provide employees with protective equipments that meet national standards or industrial standards, and educate and supervise them in strictly complying with the production rules and regulations and operation procedures of the relevant units regarding safety.

REGULATIONS

Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors

Pursuant to the Provisions on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (關於外國投資者併購境內企業的規定). (the “**Acquisitions Provisions**”) promulgated by MOFCOM, State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), SAT, SAIC, China Securities Regulatory Commission (中國證券監督管理委員會) and SAFE, implemented since 8 September 2006 and amended on 22 June 2009, the acquisition of a domestic enterprise by a foreign investor means (i) the foreign investor purchases by agreement the equities of the shareholders of a domestic non-foreign-invested enterprise (“**domestic enterprise**”) or subscribes to the increased capital of a domestic enterprise, and thus changes the domestic enterprise into a foreign-invested enterprise; (ii) the foreign investor establishes a foreign-invested enterprise, through which it purchases by agreement the assets of a domestic enterprise and operates such assets; or (iii) the foreign investor purchases by agreement the assets of a domestic enterprise and then invests such assets to establish a foreign-invested enterprise and operates the assets. Under the Acquisitions Provisions, the acquisition of a domestic enterprise by a foreign investor shall be subject to approval by MOFCOM or relevant provincial commerce authorities.

SAFE Registration and CSRC Approval

On 21 October 2005, SAFE issued the Notice on Foreign Exchange Control Issues Relating to Financing and Reverse Investment by Domestic Residents Through Offshore Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知), or Circular 75, pursuant to which SAFE registration is required if PRC resident legal or natural persons directly establish or indirectly control an offshore enterprise for the purpose of carrying out offshore equity financing with the assets or equity interests they hold in PRC domestic companies.

Further, under the Acquisitions Provisions, CSRC approval is required for the listing of shares of an offshore special purpose vehicle in overseas equity market. Pursuant to the Acquisitions Provisions, an offshore special purpose vehicle refers to an offshore company directly or indirectly controlled by PRC domestic companies or PRC resident natural persons for the purpose of making the equities of its actual owned PRC domestic companies to be listed abroad.

Considering that none of the Controlling Shareholders, Founding Members, Financial Investors or Original Investors of the Company is a “PRC resident legal or natural person” under Circular 75 or the Acquisitions Provisions, our PRC legal advisers have advised that the SAFE registration requirement under Circular 75 and the CSRC approval requirement under the Acquisitions Provisions are not applicable in the context of our Company’s Global Offering.

TAIWAN/MAINLAND INVESTMENT REGULATIONS

According to Paragraph 1, Article 35 of the Act Governing Relations between People of the Taiwan Area and the PRC Area, last amended in 2010, the Regulations Governing the Approval of Investment or Technical Cooperation in the PRC Area last amended in 2010 and the Principles Governing Review of Investment or Technical Cooperation in the PRC Area, last amended in 2008, or the Taiwan/Mainland Investment Regulations, direct or indirect investments through companies under its control made by a Taiwanese person (including individuals and enterprises) in the PRC are subject to the prior approval of the Taiwan Investment Commission. However, if the total cumulative investment amount represented by all Taiwanese persons in a single PRC entity does not exceed US\$1 million, it is permitted to make a post-filing to the Taiwan Investment Commission within six months after the investment was made in such PRC enterprise.

REGULATIONS

A Taiwanese person is strictly prohibited from investing in the PRC in any of the restricted categories as announced by the Taiwan competent authority from time to time. On such basis, the Taiwan Investment Commission will refuse to grant its approval for a PRC investment in a restricted category made by a Taiwanese person. The Taiwan/Mainland Investment Regulations further provide that any Taiwanese person who makes an investment in any of the restricted categories would be subject to an administrative fine ranging from NT\$50,000 to NT\$25,000,000, and may, in addition, be ordered to remedy such violation by withdrawing the investment within a specified period. Furthermore, the Taiwanese residents may be subject to imprisonment of up to two years and/or a fine of up to NT\$25,000,000 if they fail to comply with the order or make any investment in any of the restricted categories again in the PRC after complying with such order.

The Taiwan/Mainland Investment Regulations also limit the amount of investments that each Taiwanese person may make in the PRC. The current investment limit for a Taiwanese individual per year is US\$5,000,000 and for a Taiwanese enterprise is sixty percent of its net worth on a stand-alone or consolidated basis. Nevertheless, in determining the investment limit, the Taiwan Investment Commission would not take into account the reinvestment of profits generated from the original PRC investment (e.g., capital distribution directly or indirectly from earnings of the invested PRC entities).

If a Taiwanese person violates the Taiwan/Mainland Investment Regulations when investing in any PRC entity without obtaining prior approval from or making a post filing with the Taiwan Investment Commission, the Principles Governing Review of Investment or Technical Cooperation in the PRC Area provide for a measure to remedy such violation. Under such guidelines, any Taiwanese person in violation may make a voluntary reporting to the Taiwan Investment Commission specifying the investments he has made and his agreement to accept a penalty to be imposed. The Taiwan Investment Commission may impose an administrative fine ranging from NT\$50,000 to NT\$25,000,000 on such Taiwanese person for this purpose. Upon paying the administrative fine as imposed by the Taiwan Investment Commission, the relevant Taiwanese person will be permitted to make an application to seek the approval from the Taiwan Investment Commission to remedy his violation.

As advised by our Taiwan legal advisers, as a company incorporated under the laws of Cayman Islands and having no presence in Taiwan, we are not subject to Taiwanese laws and regulations, including the Taiwan/Mainland Investment Regulations.

LEGAL COMPLIANCE

As part of our plan, we have recently acquired and established new self-owned retail outlets and are in the process of applying for the necessary governmental approvals for such acquisitions and establishments. For further details, please see the section entitled “Risk Factors – We have not obtained approvals from the MOFCOM at the provincial level for certain existing retail outlets and, accordingly, we may be subject to fine or other administrative penalties, which could materially and adversely affect our business, financial condition and results of operations” in this prospectus.

We are also in the process of constructing pollutant discharge facilities with respect to Zhangpu Tenfu’s operations of restaurants and ancillary facilities in Zhangpu, Fujian province. Zhangpu Tenfu is applying for the Pollutant Discharge Permit and will complete the required inspection and acceptance of the environment protection procedures after completing the construction of pollutant discharge facilities. As advised by our PRC legal advisers, Zhangpu Tenfu may be subject to a maximum penalty of RMB50,000 for its lack of Pollutant Discharge Permit, a

REGULATIONS

maximum penalty of RMB100,000 for not completing the required inspection and acceptance of the environment protection procedures before the commencement of use of the restaurants and ancillary facilities in Zhangpu, and may be ordered to cease its operations of these facilities.

Other than the above, our PRC legal advisers have opined that we have obtained and currently maintain all material permits and licences required for our operations and sales activities actually being conducted. As confirmed by our Directors, save for as disclosed in the prospectus, we have complied with all relevant PRC laws and regulations for our operations in all material respects during the Track Record Period.

We have not been subject to any findings or recommendations by the PRC or overseas governmental authorities in their examinations and inspections in relation to any matter which, individually or in the aggregate, might have a material adverse effect on our business, financial condition or results of operations.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OUR HISTORY

General

Our Company was incorporated under the laws of the Cayman Islands on 22 April 2010 and, as part of the Reorganisation, became the holding company of our various subsidiaries.

History

The founding shareholders of our Company are Mr. Lee Rie-Ho, Mr. Tsai Shan Jen, Mr. Tseng Ming-Sung, Mr. Lee Shih-Wei and Mr. Lee Chia Ling. Mr. Lee Rie-Ho is the father of Mr. Lee Chia Ling. Mr. Lee Shih-Wei and Mr. Tsai Shan Jen are nephews of Mr. Lee Rie-Ho. Mr. Tseng Ming-Sung is a supervisor of Ten Ren who used to work for Mr. Lee Rie-Ho at Ten Ren.

Mr. Lee Rie-Ho founded Ten Ren in 1975 in Taiwan. Ten Ren is engaged in the blending and manufacturing of tea leaves, and the marketing and sale of tea leaves, tea snacks and tea ware in Taiwan under principally the Ten Ren (天仁) brand. It also manages various franchises that market and sell tea leaves, tea snacks and tea ware under the Ten Ren (天仁) brand in the United States and Canada. In 1990, Mr. Lee Rie-Ho experienced heavy financial losses when his stock investments turned sour following the crash of the Taiwan stock market. As a result, he sold all his interests in Ten Ren to settle his personal debts. As a believer in the potential of the market in the PRC, Mr. Lee Rie-Ho chose the PRC to re-launch his tea business.

In 1993, the Founding Members through US Tenren contributed start-up capital and founded Minhou Tianyuan and Zhangpu Tenfu Food Development. Pursuant to a nominee arrangement, the equity interests in Minhou Tianyuan and Zhangpu Tenfu Food Development were held by US Tenren on behalf of the Founding Members. Minhou Tianyuan was engaged in the classification and packaging of tea leaves and sale of self-packaged tea leaves while Zhangpu Tenfu Food Development was in the business of classification and packaging of tea leaves and tea products.

Mr. Tsai Shan Jen's interests in the relevant entities comprising our Group were derived from his personal investment and the investment from the Original Investors, 19 of whom are related to Mr. Lee Rie-Ho, Mr. Lee Chia Ling and/or Mr. Lee Shih-Wei and 64 of whom are Independent Third Parties who are friends, business associates and/or former colleagues of Mr. Lee Rie-Ho and who wished to invest in our Group by providing funding for Mr. Lee Rie-Ho's tea business in the PRC. None of the Original Investors will hold more than 10% of the issued share capital in our Company upon the Listing.

Since the establishment of Minhou Tianyuan and Zhangpu Tenfu Food Development in 1993, we have been actively involved in the classification, packaging, branding and sale of tea leaves, manufacturing and sale of tea snacks and sale of tea ware, as well as the promotion of Chinese tea culture. To that end, we established Zhangpu Tenren Food Development, Zhangpu Tenfu Tea Industry and Zhangpu Tenfu Tea Museum in Fujian province in 1997, 1998 and 2000, respectively, which were also held under the nominee arrangement by US Tenren in favour of the Founding Members.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Zhangpu Tenfu and Jiajiang Tenfu were established by US Tenren on 17 November 1999 and 10 September 2002, respectively and US Tenren held the interests in such entities under the nominee arrangement in favour of the Founding Members. Zhangpu Tenfu is engaged in the operation of restaurant and Jiajiang Tenfu is engaged in the classification and packaging of tea leaves, manufacturing of tea snacks, and sale of self-packaged tea leaves, tea snacks and tea ware.

On 21 April 2004, Zhangpu Tenfu Tea Industry changed its name to Zhangzhou Tenfu. On 27 December 2004, Zhangpu Tenfu Food Development, Zhangpu Tenren Food Development and Zhangpu Tenfu Tea Museum were merged into Zhangzhou Tenfu to better serve our Group's business needs and streamline our operations. On 4 July 2008, we established Fujian Tenfu Sales, a subsidiary wholly owned by Ten Rui HK, to handle sales of our products in the PRC.

For their investment in our Group, the Founding Members and the Original Investors adopted the nominee and entrustment arrangements with US Tenren and Mr. Tsai Shan Jen, respectively, because at the time, the Taiwanese Founding Members and 81 Taiwanese Original Investors understood that there were general restrictions under the then prevailing Taiwanese laws on direct investments in the tea industry in the PRC by Taiwanese residents and enterprises but the precise scope of the restrictions under the then Taiwan/Mainland Investment Regulations was unclear. Despite the prohibition under the then Taiwan/Mainland Investment Regulations, they believed that the prevailing investment restrictions on Taiwanese residents and enterprises to invest in the PRC would be relaxed in the future. Nevertheless, to avoid violating the Taiwan/Mainland Investment Regulations, the following arrangements were adopted: (i) US Tenren acted as the nominee for the Founding Members to hold their interests in the PRC Tea Subsidiaries, (ii) Mr. Tsai Shan Jen held on trust for the Founding Members the interests in Ten Rui HK and through Ten Rui HK, the interests in various subsidiaries of our Group, and (iii) Mr. Tsai Shan Jen held his interests as a Founding Member in our Group for himself and on trust for the Original Investors. US Tenren and Mr. Tsai Shen Jen did not receive any fee or compensation for acting as the nominee for the Founding Members or the Original Investors. The restrictions under the Taiwan/Mainland Investment Regulations have since been clarified and with the approval of the Taiwan Investment Commission, Taiwan residents are allowed to make investments in businesses that involve the sale of tea leaves and tea products in the PRC.

Our PRC legal advisers have confirmed that the creation of the "offshore" nominee arrangement by US Tenren for the Founding Members; and the entrustment arrangements by Mr. Tsai Shan Jen for the Founding Members and the Original Investors do not contravene any PRC law. Our Taiwan legal advisers have confirmed that the nominee arrangement by US Tenren for the Founding Members and the entrustment arrangements by Mr. Tsai Shan Jen for the Founding Members and the Original Investors are legally binding on the parties under Taiwanese law and that under Taiwanese law, the Founding Members and the Original Investors can enforce such entrustment arrangements against Mr. Tsai Shan Jen and Mr. Tsai Shan Jen will not be able to challenge the validity of his entrustment arrangements with the Founding Members and the Original Investors under Taiwanese law. The legal advisers to US Tenren as to New York law have confirmed that the nominee arrangement between the Founding Members and US Tenren is a valid and binding obligation of US Tenren, enforceable and effective against US Tenren in accordance with its terms under New York law. Although US Tenren was incorporated in the State of New York, as confirmed by the legal advisers to US Tenren as to New York law, the nominee arrangement or its termination should not result in any U.S. federal income tax or New York state income tax for the Founding Members, Minhou Tianyuan, Zhangzhou Tenfu, Zhangpu Tenfu, Jiajiang Tenfu, our Company or Tenfu HK. The nominee arrangement and the entrustment arrangements were subsequently terminated. Please see the paragraph headed "Our Reorganisation" for further details.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

In connection with the Reorganisation of our Group which was carried out through 2009 to 2011, the Founding Members caused US Tenren, which had held 100% in the PRC Tea Subsidiaries since their respective establishment, to transfer all its entire equity interests in them to Tenfu HK. Please see the paragraph headed “Our Reorganisation – Transfer of interests in the PRC Tea Subsidiaries” in this prospectus for further details.

Corporate development

Our business is conducted by (i) the PRC Tea Subsidiaries, namely Minhou Tianyuan, Zhangzhou Tenfu, Zhangpu Tenfu and Jiajiang Tenfu; and (ii) Fujian Tenfu Sales.

Minhou Tianyuan

Minhou Tianyuan was established as a wholly foreign owned enterprise under the laws of the PRC on 23 October 1993 with a registered capital of US\$700,000. It is engaged in the classification and packaging of tea leaves, and sale of self-packaged tea leaves. At the time of establishment, the entire equity interest in Minhou Tianyuan was held by US Tenren. On 2 November 2009, US Tenren entered into an equity transfer agreement with Tenfu HK pursuant to which Tenfu HK acquired the entire equity interest in Minhou Tianyuan as part of the Reorganisation as further described under the paragraph headed “Reorganisation – Transfer of interests in the PRC Tea Subsidiaries – The Transfer of the PRC Tea Subsidiaries” in this prospectus. Such acquisition of equity interest in Minhou Tianyuan became effective on 13 November 2009 and was completed on 25 January 2010.

Zhangzhou Tenfu

Zhangzhou Tenfu (previously known as Zhangpu Tenfu Tea Industry) was established as a wholly foreign owned enterprise under the laws of the PRC on 24 December 1998 with a registered capital of US\$1,400,000. It is engaged in the classification and packaging of tea leaves, manufacture of tea snacks, and sale of self-processed/produced tea leaves, tea snacks and tea ware. At the time of establishment, the entire equity interest in Zhangzhou Tenfu was held by US Tenren. On 21 April 2004, Zhangpu Tenfu Tea Industry changed its name to Zhangzhou Tenfu. On 27 December 2004, Zhangpu Tenfu Food Development, Zhangpu Tenren Food Development and Zhangpu Tenfu Tea Museum were merged into Zhangzhou Tenfu. On 2 November 2009, US Tenren entered into an equity transfer agreement with Tenfu HK pursuant to which Tenfu HK acquired the entire equity interest in Zhangzhou Tenfu as part of the Reorganisation as further described under the paragraph headed “Reorganisation – Transfer of interests in the PRC Tea Subsidiaries – The Transfer of the PRC Tea Subsidiaries” in this prospectus. Such acquisition of equity interest in Zhangzhou Tenfu became effective on 17 November 2009 and was completed on 4 December 2009.

Zhangpu Tenfu

Zhangpu Tenfu was established as a wholly foreign owned enterprise under the laws of the PRC on 17 November 1999 with a registered capital of US\$12,000,000. It is engaged in the operation of restaurant. At the time of establishment, the entire equity interest in Zhangpu Tenfu was held by US Tenren. On 2 November 2009, US Tenren entered into an equity transfer agreement with Tenfu HK pursuant to which Tenfu HK acquired the entire equity interest in Zhangpu Tenfu as part of the Reorganisation as further described under the paragraph headed “Reorganisation – Transfer of interests in the PRC Tea Subsidiaries – The Transfer of the PRC Tea Subsidiaries” in this prospectus. Such acquisition of equity interest in Zhangpu Tenfu became effective on 17 November 2009 and was completed on 7 December 2009.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Jiajiang Tenfu


Jiajiang Tenfu was established as a wholly foreign owned enterprise under the laws of the PRC on 10 September 2002 with a registered capital of US\$2,100,000. It is engaged in the classification and packaging of tea leaves, manufacture of tea snacks, and sale of self-packaged tea leaves, tea snacks and tea ware. At the time of establishment, the entire equity interest in Jiajiang Tenfu was held by US Tenren. On 10 November 2009, US Tenren entered into an equity transfer agreement with Tenfu HK pursuant to which Tenfu HK acquired the entire equity interest in Jiajiang Tenfu as part of the Reorganisation as further described under the paragraph headed “Reorganisation – Transfer of interests in the PRC Tea Subsidiaries – The Transfer of the PRC Tea Subsidiaries” in this prospectus. Such acquisition of equity interest in Jiajiang Tenfu became effective on 16 November 2009 and was completed on 20 November 2009.

Fujian Tenfu Sales

Fujian Tenfu Sales was established by Ten Rui HK as a wholly foreign owned enterprise under the laws of the PRC on 4 July 2008 with a registered capital of US\$3,500,000. It is engaged in the sale of tea leaves, tea snacks and tea ware.

Significant milestones

Our significant milestones are set out below:

- 1993. Minhou Tianyuan and Zhangpu Tenfu Food Development were established, and were mainly engaged in the classification and packaging of tea leaves.
- 1998. Zhangpu Tenfu Tea Industry was established.
- 2000. Our Chairman, Mr. Lee Rie-Ho, was named “Worldwide King of Tea (世界茶王)” by People’s Daily (人民日報) and Zhangpu Tenfu Tea Museum was established.
- 2002. We commenced the operation of a tea museum through Zhangpu Tenfu Tea Museum and expanded to Sichuan province through Jiajiang Tenfu.
- 2004. Zhangpu Tenfu Food Development, Zhangpu Tenren Food Development and Zhangpu Tenfu Tea Museum were merged into Zhangzhou Tenfu.
- 2005. Our trademark “” was recognised as a “Well-known Trademark of the PRC” (中國馳名商標) by the State Administration for Industry and Commerce of the PRC.
- 2009. We obtained the HACCP certification in respect of our tea snacks.
- 2010. The retail outlets and retail points operated by us and third-party retailers in the PRC reached 1,000.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Compliance with Taiwan/Mainland Investment Regulations

Pursuant to the Taiwan/Mainland Investment Regulations and the policies adopted by the authority in Taiwan, Taiwanese residents are not allowed to make investments in the PRC for the purpose of engaging in the business of planting, manufacturing or blending tea leaves. We do not engage in the aforesaid activities which are prohibited under the Taiwan/Mainland Investment Regulations. In addition, our Taiwan legal advisers have opined that based on its interpretation of the relevant provisions of the Taiwan/Mainland Investment Regulations and their application to our business activities as at the Latest Practicable Date, the business activities of our Group should not constitute the activities of planting, manufacturing or blending of tea leaves as prohibited under the Taiwan/Mainland Investment Regulations.

In preparation of the Listing, it has come to our attention that the Taiwan Investment Commission did not recognise our Taiwanese Shareholders' beneficial interests under the nominee and entrustment arrangements with US Tenren and Mr. Tsai Shan Jen and these Taiwanese Shareholders should have obtained approvals from the Taiwan Investment Commission in relation to their investment in our Group. As instructed by us and our Taiwanese Shareholders, our Taiwan legal advisers consulted the Taiwan Investment Commission in relation to their investment in our Group and the appropriate course of action for them. After rounds of consultation by our Taiwan legal advisers with the Taiwan Investment Commission for the period from September 2009 to early 2010, we have requested our existing Taiwanese Shareholders to make voluntary reporting to or application to the Taiwan Investment Commission for approvals of their investments in the PRC through their respective interests in us after the Reorganisation. The Taiwanese Founding Members have obtained the approval of the Taiwan Investment Commission in November 2010 in connection with their indirect investments in our PRC subsidiaries through their respective shareholdings in our Company. Our Taiwan legal advisers have confirmed that upon obtaining the approvals of the Taiwan Investment Commission, these Founding Members are regarded to be in compliance with the investment limit as of the date of approval. In addition, in October 2010, each of the Taiwanese Founding Members paid the administrative fine of NT\$50,000 for not obtaining the Taiwan Investment Commission's prior approval before the transferring of beneficial interests in our Company from US Tenren to the Taiwanese Founding Members.

With respect to the entrustment arrangements by Mr. Tsai Shan Jen for the Original Investors, which have been terminated and given that the Taiwan Investment Commission has given its approval with respect to the transfer of interests by Mr. Tsai Shan Jen as trustee back to 81 of the Original Investors (who are or whose ultimate shareholders are Taiwanese residents) as beneficial owners in December 2010, our Taiwan legal advisers have advised that the failure of such Original Investors in obtaining the Taiwan Investment Commission's prior approval in connection with their previous beneficial interests in us under the entrustment arrangements would not affect the legality and the validity of shareholdings of such Original Investors in our Company and the maximum liability of the relevant Taiwanese Shareholders would be a penalty in the amount of no more than NT\$25,000,000 per shareholder for failure to comply with the Taiwan/Mainland Investment Regulations. Assuming that the Taiwan Investment Commission imposes on each of Mr. Tsai Shan Jen, the Taiwanese Founding Members and 81 Taiwanese Original Investors the highest administrative fine of NT\$25,000,000, the maximum aggregate administrative fine that Mr. Tsai Shan Jen, the Taiwanese Founding Members and 81 Taiwanese Original Investors may be subject to as a result of their violation of the Taiwan/Mainland Investment Regulations for their previous investment in the PRC subsidiaries would be NT\$2,125,000,000. As advised by our Taiwan legal advisers, the Taiwan Investment Commission is unlikely to impose the highest administrative fine

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(NT\$25,000,000) on each of Mr. Tsai Shan Jen, the Taiwanese Founding Members and 81 Taiwanese Original Investors, taking into account the factors as discussed above, and the policy of current ruling party in Taiwan to advocate closer economic tie with the PRC. Furthermore, our Taiwan legal advisers believe that pursuant to the precedents involving the Taiwanese Founding Members and 81 Taiwanese Original Investors, it is reasonable to expect that the fine to be imposed on each of Mr. Tsai Shan Jen, the Taiwanese Founding Members and 81 Taiwanese Original Investors, if any, will likely be NT\$50,000. In such event, the aggregate administrative fine imposed on Mr. Tsai Shan Jen, the Taiwanese Founding Members and 81 Taiwanese Original Investors, if any, will likely be NT\$4,250,000. The 81 Taiwanese Original Investors were not required to pay the fine because the transferring of beneficial interests in our Company from Mr. Tsai Shan Jen to the 81 Taiwanese Original Investors took place after the obtaining of approval in December 2010. Our Taiwan legal advisers are nonetheless of the view that the risk of the Taiwan Investment Commission imposing such penalty on Mr. Tsai Shan Jen, these Taiwanese Founding Members and 81 Taiwanese Original Investors is low.

As advised by our Taiwan legal advisers, the Taiwan Investment Commission would typically deem further investments by us in the PRC entities as additional equity investments made by our Taiwanese Shareholders, which would have required a prior approval. If the total cumulative equity investment amount represented by all the Taiwanese Shareholders in a single PRC entity does not exceed US\$1 million, a subsequent filing would also be acceptable to the Taiwan Investment Commission. Our Company has made a total of 14 additional investments in the PRC entities since 81 Taiwanese Original Investors obtained the Taiwan Investment Commission's approvals in November and December 2010, for which the Taiwanese Founding Members and 81 Taiwanese Original Investors submitted the relevant applications on 22 October 2010 and 15 November 2010, respectively. Of these 14 investments, six investments individually exceeded the US\$1 million threshold described above and therefore fell within the requirement to obtain prior approval, and the other eight investments did not individually exceed the US\$1 million threshold described above, and therefore were qualified for subsequent filing.

Our Taiwanese Founding Members and 81 Taiwanese Original Investors were not aware of the Taiwan/Mainland Regulations in respect of the additional investments in the PRC until April 2011, which require such Taiwanese investors to obtain prior approval or make post-filing. Each of the Taiwanese Founding Members and 81 Taiwanese Original Investors reported to the Taiwan Investment Commission to remedy their failure to apply for prior approval for the six investments on 26 May 2011 and made post-filings with the Taiwan Investment Commission for three of the other eight investments on 9 August 2011 and 22 August 2011, respectively. However, on 16 August 2011 and 25 August 2011, respectively the Taiwan Investment Commission verbally notified our Taiwan legal advisers to withdraw the applications on behalf of the Taiwanese Founding Members and 81 Taiwanese Original Investors and put them on hold while the Taiwan Investment Commission processes the filing made by Mr. Lee Rie-Ho with respect to change in his investment shareholding structure through the establishment of The WH Trust. In view that the Taiwan Investment Commission would take longer time to review and approve the application by Mr. Lee Rie-Ho with respect to the change in his investment shareholding structure through the establishment of The WH Trust, Mr. Lee decided to have Super Giant transfer its shares in Discerning Group Limited back to himself. Please see the paragraph headed "Our Reorganisation" in this prospectus for details on the establishment of The WH Trust.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The transfer of the entire issued share capital in Discerning Group Limited from Super Giant to Mr. Lee Rie-Ho was completed on 2 September 2011 and since then, Mr. Lee Rie-Ho owns 100% shareholding of Discerning Group Limited, which directly holds the Shares of our Company. Mr. Lee Rie-Ho reported such transfer to the Taiwan Investment Commission on 5 September 2011. On 8 September 2011, the Taiwanese Founding Members and 81 Taiwanese Original Investors resubmitted their applications for approval in respect of their six additional investments in the PRC and the three post-filings filed in August 2011, and made the remaining five post-filings with the Taiwan Investment Commission. As advised by our Taiwan legal advisers, there should be no significant legal impediment for these Taiwanese Founding Members and 81 Taiwanese Original Investors to obtain the approvals in respect of the 14 additional equity investments in the PRC.

In addition, our Taiwan legal advisers have opined that notwithstanding the transfer of the entire issued share capital in Discerning Group Limited from Super Giant to Mr. Lee Rie-Ho as described above, the legality and the validity of our existing Taiwanese investors' shareholdings in our Company would not be affected. However, each of our Taiwanese Founding Members and 81 Taiwanese Original Investors may still be subject to an administrative fine ranging from NT\$50,000 to NT\$25,000,000 per incident for not obtaining prior approval in respect of the six additional investments in the PRC entities that require prior approval pursuant to the Taiwan/Mainland Investment Regulations. For further details, please see the section entitled "Risk Factors – Risks Relating to Taiwanese Individuals' Investment Restrictions in the PRC – The Taiwan Investment Commission may impose fines on our Taiwanese Founding Members and 81 Taiwanese Original Investors for their failure to obtain the prior approval in respect of certain additional equity investments made by us in the PRC entities (including establishment or acquisition of new PRC entities)" in this prospectus.

In order to prevent the Taiwanese investors from failing to make required filings or reporting with the Taiwan Investment Commission in the future, we have issued a memorandum to each of the Taiwanese investors setting out the relevant Taiwanese regulations in relation to the investment restrictions on Taiwanese individuals in the PRC and reminding them of their filing or reporting obligations as required by the Taiwan Investment Commission. Furthermore, each of the existing Taiwanese substantial shareholders and Taiwanese Directors who hold shares in our Company has undertaken to us that he will comply with the Taiwan/Mainland Investment Regulations in connection with his interest in us in the future, including but not limited to obtaining approval from or making post-filings with the Taiwan Investment Commission.

In anticipation of the potential new investments in the PRC entities to be made by our Group by using the proceeds of the Global Offering, on 9 September 2011, our Taiwanese investors filed application with the Taiwan Investment Commission for prior approval of such investments. There is no assurance that such prior approvals can be obtained. Therefore, Mr. Lee Rie-Ho may have to reduce his shareholding in our Company by 1.64% within one year after the completion of the Global Offering, taking into account: (i) our current plan to inject the proceeds from the Global Offering into our PRC subsidiaries over a five-year period (the amount of our planned injection of proceeds into the PRC subsidiaries over each of the next five years is HK\$283.7 million per year); (ii) the investment limit for a Taiwanese individual per year is US\$5,000,000; and (iii) our Group structure immediately after the completion of the Global Offering. For further details, please see the section entitled "Risk Factors – Our Taiwanese investors may have to reduce their interests in us in order to comply with the Taiwan/Mainland Investment Regulations, which may cause our share price to be volatile" in this prospectus.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

We will publish announcement(s) after the Listing when our existing Taiwanese substantial shareholders and Taiwanese Directors who hold Shares in our Company obtain relevant approvals from the Taiwan Investment Commission in respect to the injection of proceeds from the Global Offering. We will use our best endeavors to communicate with the other existing Taiwanese investors with respect to the filing or reporting obligations as required by the Taiwan Investment Commission as and when required. As advised by our Taiwan legal advisers, as the filing and reporting obligations rest with the Taiwanese Shareholders, their failure in obtaining approval from the Taiwan Investment Commission will not have any material impact on our business.

OUR REORGANISATION

Overview

Our Company, through our wholly-owned subsidiaries in Hong Kong, namely Ten Rui HK and Tenfu HK, owns (i) Fujian Tenfu Sales and 24 PRC sales subsidiaries that are engaged in the sale of affordable to premium tea leaves and tea snacks under the Tenfu brand and tea ware under the Tenfu and Lu Yu brands through its nationwide sales network, which comprises self-owned and third-party owned retail outlets and retail points; and (ii) Xiamen Apex whose core business involves the development, marketing and sale of affordable to mid-end tea leaves under the Tenfu Ten Xin (天福天心), Danfeng (丹峰) and Uncle Lee (安可李) brands through concession counters at hypermarkets in the PRC. Tenfu HK also owns the PRC Tea Subsidiaries, namely Minhou Tianyuan, Zhangzhou Tenfu, Zhangpu Tenfu and Jiajiang Tenfu. Minhou Tianyuan, Zhangzhou Tenfu and Jiajiang Tenfu are engaged in the classification, packaging and sale of tea leaves and/or manufacture and sale of tea snacks and/or the tea ware business and Zhangpu Tenfu is engaged in the operation of restaurant. As advised by our PRC legal advisers, pursuant to the respective business license of the PRC Tea Subsidiaries and the PRC sales subsidiaries and the requirements under PRC law with respect to restriction on retail sales by foreign invested entities: (i) the PRC Tea Subsidiaries (except Jiajiang Tenfu) are allowed to engage, amongst other things, in the sales (excluding retail sales) business; (ii) Jiajiang Tenfu is allowed to engage in retail sales of its self processed/packaged products; and (iii) the PRC sales subsidiaries are allowed to engage in the sales (including retail sales) business. For further details of the business scopes of the PRC Tea Subsidiaries, please see the section entitled “Statutory and General Information – A. Further Information About Our Company and Our Subsidiaries – 8. Business Scopes of the PRC Tea Subsidiaries” in this prospectus. The PRC sales subsidiaries have been set up to engage primarily in the wholesale and retail distribution via our sales network throughout different locations in the PRC. The PRC Tea Subsidiaries usually sell our products to the PRC sales subsidiaries and earn profits from such sales to cover their costs and expenses and to operate as a going concern.

We underwent the Reorganisation in preparation for the Listing. The Reorganisation, which was designed to transfer assets and businesses from the Founding Members to our Company, and to streamline our shareholding structure, primarily comprised the following steps.

Incorporation of Ten Rui HK and establishment of Fujian Tenfu Sales

Ten Rui HK was incorporated in Hong Kong on 7 March 2008. At the time of its incorporation, it was held as to 100% by Mr. Tsai Shan Jen in trust for the Founding Members. Ten Rui HK was beneficially held as to 4.5% by Mr. Lee Rie-Ho, as to 44% by Mr. Lee Chia Ling, as to 40% by Mr. Tsai Shan Jen, as to 6.5% by Mr. Tseng Ming-Sung and as to 5.0% by Mr. Lee Shih-Wei.

Fujian Tenfu Sales was established by Ten Rui HK on 4 July 2008 as its wholly-owned subsidiary which handled the sale of our Group’s products in the PRC.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Incorporation of Tenfu intermediate holding companies

On 2 July 2009, Tenfu BVI was incorporated in the British Virgin Islands by the Founding Members to serve as an intermediate holding company to hold our Group's interest in Tenfu HK.

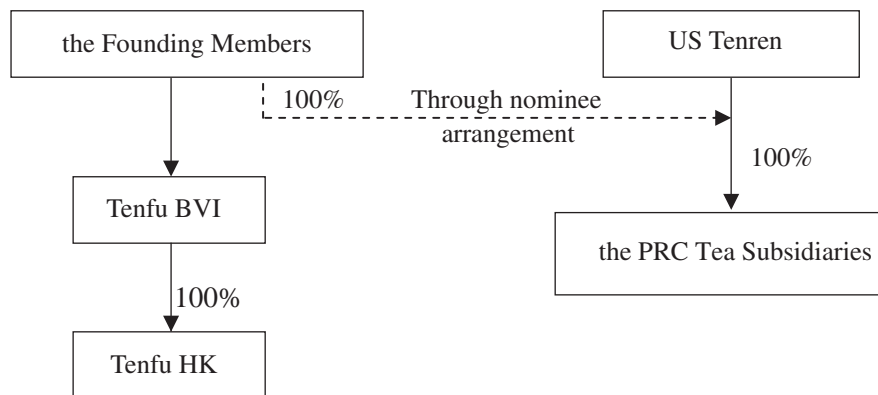
On 17 August 2009, Tenfu HK was incorporated in Hong Kong by Tenfu BVI as the holding company to hold our Group's interests in various subsidiaries established under PRC law.

Transfer of interests in the PRC Tea Subsidiaries

Nominee Arrangement

Prior to the Reorganisation, the PRC Tea Subsidiaries were held by US Tenren under a nominee arrangement pursuant to which US Tenren held the equity interests in the PRC Tea Subsidiaries as nominee in favour of the Founding Members. At that time, some of the Founding Members were Taiwanese residents and believed that they were subject to the restrictions on investments in the tea industry in the PRC by Taiwanese residents under Taiwanese law. As a result, the Founding Members procured US Tenren to act as their nominee to hold their interests in the PRC Tea Subsidiaries. US Tenren is controlled by a nephew of Mr. Lee Rie-Ho and his spouse who together with Mr. Lee Kuo-Lin (who is a son of Mr. Lee Rie-Ho and the elder brother of Mr. Lee Chia Ling) and three other relatives of Mr. Lee Rie-Ho and Mr. Lee Chia Ling hold majority interest in US Tenren. The Founding Members do not own or hold any interest in US Tenren. Under the nominee arrangement, Mr. Lee Rie-Ho, Mr. Lee Chia Ling, Mr. Tsai Shan Jen, Mr. Tseng Ming-Sung and Mr. Lee Shih-Wei had 4.5%, 44.0%, 40.0%, 6.5% and 5.0% interests respectively in each of the PRC Tea Subsidiaries.

The shareholding structure of the PRC Tea Subsidiaries prior to the Reorganisation was as follows:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

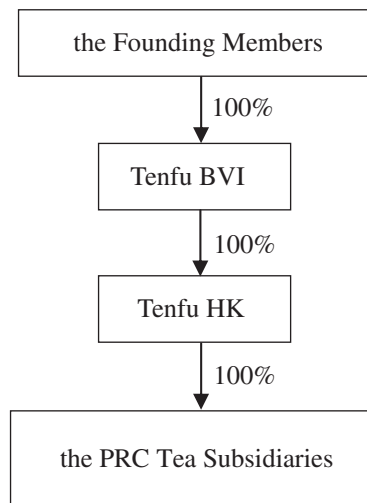
The Transfer of the PRC Tea Subsidiaries

The Founding Members caused their nominee, namely US Tenren, to transfer all of the equity interests in the PRC Tea Subsidiaries to Tenfu HK for a total consideration of US\$34,640,000. Details of these transfers are as set out below:

Operating Subsidiary	Date of Transfer	Consideration
Jiajiang Tenfu	20 November 2009	US\$4,000,000
Zhangzhou Tenfu	4 December 2009	US\$15,000,000
Zhangpu Tenfu	7 December 2009	US\$12,000,000
Minhou Tianyuan	25 January 2010	US\$3,640,000

The consideration of US\$34,640,000 due to the Founding Members was satisfied by our Company through the issue of new Shares as described below. The consideration for each of these transfers was determined based on the amount of the registered capital of the PRC Tea Subsidiaries upon the transfer, the nominee arrangement between US Tenren and the Founding Members was terminated.

After the transfers, the PRC Tea Subsidiaries were held by Tenfu HK. The shareholding structure of the PRC Tea Subsidiaries after completion of these transfers was as follows:



Incorporation of Ten Rui BVI

On 19 August 2009, Ten Rui BVI was incorporated in the British Virgin Islands by the Founding Members to serve as an intermediate holding company to hold our Group's interest in Ten Rui HK after the Reorganisation.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Incorporation of our Company

On 22 April 2010, our Company was incorporated in the Cayman Islands to serve as the ultimate holding company and the listing vehicle for our Group. The authorised share capital of our Company was HK\$380,000 divided into 3,800,000 shares of HK\$0.1 each.

Following our incorporation, our issued share capital was 1,000 Shares, of which 45 Shares (4.5%) were held by Mr. Lee Rie-Ho, 440 Shares (44.0%) were held by Mr. Lee Chia Ling, 400 Shares (40.0%) were held by Mr. Tsai Shan Jen, 65 Shares (6.5%) were held by Mr. Tseng Ming-Sung and 50 Shares (5.0%) were held by Mr. Lee Shih-Wei.

Shareholding adjustments in our Group

On 4 August 2010, 100 Shares of our Company were allotted and issued to Mr. Lee Rie-Ho at par in cash to adjust the shareholding of the Founding Members and in recognition of the outstanding contribution of Mr. Lee Rie-Ho to our Group's development. As a result, the issued share capital of our Company consisted of 1,100 Shares, of which 145 Shares (13.2%) were held by Mr. Lee Rie-Ho, 440 Shares (40.0%) were held by Mr. Lee Chia Ling, 400 Shares (36.4%) were held by Mr. Tsai Shan Jen, 65 Shares (5.91%) were held by Mr. Tseng Ming-Sung and 50 Shares (4.5%) were held by Mr. Lee Shih-Wei.

On 4 August 2010, 100 shares of Tenfu BVI were allotted and issued to Mr. Lee Rie-Ho at par for cash consideration to adjust the shareholdings of the Founding Members. As a result, the share capital of Tenfu BVI consisted of 1,100 shares, of which 145 shares (13.2%) were held by Mr. Lee Rie-Ho, 440 shares (40.0%) were held by Mr. Lee Chia Ling, 400 shares (36.4%) were held by Mr. Tsai Shan Jen, 65 shares (5.9%) were held by Mr. Tseng Ming-Sung and 50 shares (4.5%) were held by Mr. Lee Shih-Wei.

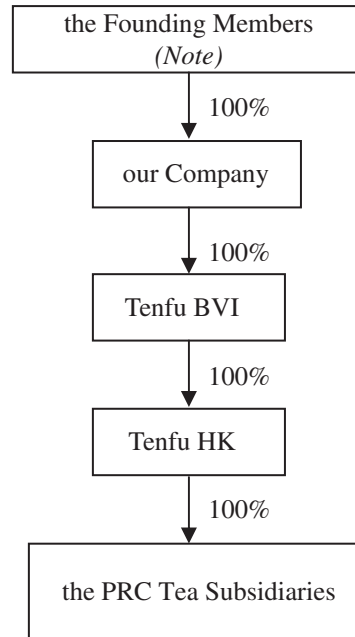
On 4 August 2010, 100 shares of Ten Rui BVI were allotted and issued to Mr. Lee Rie-Ho at par in cash to adjust the shareholding of the Founding Members and in recognition of Mr. Lee Rie-Ho's contribution to the development of the Group. As a result, the issued share capital of Ten Rui BVI was 1,100 shares, of which 145 shares (13.2%) were held by Mr. Lee Rie-Ho, 440 shares (40.0%) were held by Mr. Lee Chia Ling, 400 shares (36.4%) were held by Mr. Tsai Shan Jen, 65 shares (5.9%) were held by Mr. Tseng Ming-Sung and 50 shares (4.5%) were held by Mr. Lee Shih-Wei.

Transfer of Tenfu BVI and satisfaction of consideration for the PRC Tea Subsidiaries

On 4 August 2010, our Company allotted and issued a total of 47,189,450 new Shares to the Founding Members to satisfy (i) the consideration of HK\$4,718,945 due to the Founding Members for its acquisition of the entire issued share capital of Tenfu BVI from the Founding Members; and (ii) the consideration due to the Founding Members for the transfer of the PRC Tea Subsidiaries to Tenfu BVI's wholly-owned subsidiary, Tenfu HK, and the release of any obligation of Tenfu HK to satisfy such consideration for the PRC Tea Subsidiaries. A memorandum of agreement was entered into on 29 December 2010 between the Founding Members, Tenfu HK and our Company to record this arrangement regarding the settlement of consideration for the transfer of the PRC Tea

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Subsidiaries to Tenfu HK. The said allotment and issue of 47,189,450 new Shares in our Company, credited as fully paid, was made to the Founding Members in the proportion of their shareholding in our Company. The structure of our Group after completion of such transfer and share issue is as follows:



Note: Mr. Tsai Shan Jen, one of the Founding Members, held the new Shares in our Company for himself and on behalf of the Original Investors under an entrustment arrangement.

Transfer of Ten Rui BVI

Transfer of Ten Rui HK

On 4 August 2010, Ten Rui BVI acquired the entire equity interest of Ten Rui HK from Mr. Tsai Shan Jen (who held the shares on trust for the Founding Members) through a share swap. The consideration of US\$1,100 for such transfer was satisfied by the allotment and issue of 1,100 new shares of US\$1.00 each in the capital of Ten Rui BVI, credited as fully paid, to the Founding Members in the same proportion as the Founding Members' percentage interest in Ten Rui BVI as directed by Mr. Tsai Shan Jen, of which 145 shares were issued to Mr. Lee Rie-Ho, 440 shares to Mr. Lee Chia Ling, 400 shares to Mr. Tsai Shan Jen, 65 shares to Mr. Tseng Ming-Sung and 50 shares to Mr. Lee Shih-Wei. The nominal consideration was determined based on the par value of the shares being transferred. As a result of this transfer, Mr. Tsai Shan Jen ceased to hold the shares in Ten Rui HK on behalf of the Founding Members and the entrustment arrangement between the Founding Members and Mr. Tsai Shan Jen relating to Ten Rui HK was terminated.

Transfer of Ten Rui BVI

On 4 August 2010, our Company acquired the entire equity interest of Ten Rui BVI from the Founding Members through a share swap. The consideration of HK\$4,718,945 for such transfer was satisfied by the allotment and issue of 47,189,450 Shares of our Company, credited as fully paid, to the Founding Members, of which 6,220,428 Shares were issued to Mr. Lee Rie-Ho, 18,875,780 Shares to Mr. Lee Chia Ling, 17,159,800 Shares to Mr. Tsai Shan Jen, 2,788,467 Shares to Mr. Tseng Ming-Sung and 2,144,975 Shares to Mr. Lee Shih-Wei. The consideration was determined based on the par value of the Shares being transferred.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Increase in our Company's authorised share capital

On 4 August 2010, our Company increased its authorised share capital from HK\$380,000 to HK\$10,000,000 divided into 100,000,000 Shares of par value HK\$0.10 each.

On 15 December 2010, our Company further increased its authorised share capital from HK\$10,000,000 to HK\$800,000,000 divided into ordinary shares of par value HK\$0.10 each.

Share transfers in our Company

On 24 August 2010, Mr. Tseng Ming-Sung and Mr. Lee Shih-Wei transferred an aggregate of 8,923,199 Shares in our Company to Mr. Tsai Shan Jen and Mr. Lee Rie-Ho for cash consideration of RMB59,080,742.33, of which 6,434,999 Shares were transferred to Mr. Lee Rie-Ho and 2,488,200 Shares were transferred to Mr. Tsai Shan Jen. After the share transfer, our Company was held as to 20% by Mr. Lee Rie-Ho, as to 40% by Mr. Lee Chia Ling, as to 39% by Mr. Tsai Shan Jen, as to 0.5% by Mr. Tseng Ming-Sung and as to 0.5% by Mr. Lee Shih-Wei.

On 23 December 2010, Mr. Tsai Shan Jen transferred an aggregate of 30,387,918 Shares of our Company to the Original Investors whereupon Mr. Tsai Shan Jen ceased to act as nominee for the Original Investors and the entrustment arrangement between the Original Investors and Mr. Tsai Shan Jen was terminated. For purposes of complying with the legal requirements in Taiwan with respect to the application for the investment approvals in relation to 81 Taiwanese Original Investors, a notional consideration of US\$31,967,194.56 was assigned to this transfer. The consideration was arrived at based on the net asset value of our Group as at 30 June 2010.

On 23 December 2010, Mr. Lee Rie-Ho transferred all 18,876,000 of his Shares in our Company to Discerning Group Limited for nil consideration, and Mr. Lee Chia Ling transferred all 37,752,000 of his Shares in our Company to Trackson Investments Limited for nil consideration. Discerning Group Limited was then wholly owned by Mr. Lee Rie-Ho and Trackson Investments Limited was then wholly owned by Mr. Lee Chia Ling, and the share transfers were made as part of the Reorganisation of their respective personal holding in our Company in preparation for the Listing.

Acquisition of Xiamen Apex by Ten Rui HK

On 10 January 2011, Ten Rui HK acquired the entire interest in Xiamen Apex from Ming-Feng (Singapore) Holdings Pte. Ltd. ("**Ming-Feng**") for a cash consideration of RMB16,343,000 which has been satisfied. Ming-Feng was owned as to 50% by Mr. Lee Chia Ling and as to 50% by Mr. Tsai Shan Jen. The consideration for the acquisition was determined having regard to the net book value of Xiamen Apex.

Establishment of The WH Trust and The KCL Trust

The WH Trust was established as a discretionary trust by Mr. Lee Rie-Ho as settlor and the Trustee as trustee on 12 April 2011. The beneficiaries of The WH Trust include family members of Mr. Lee Rie-Ho.

The KCL Trust was established as a discretionary trust by Mr. Lee Chia Ling as settlor and the Trustee as trustee on 12 April 2011. The beneficiaries of The KCL Trust include family members of Mr. Lee Chia Ling.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

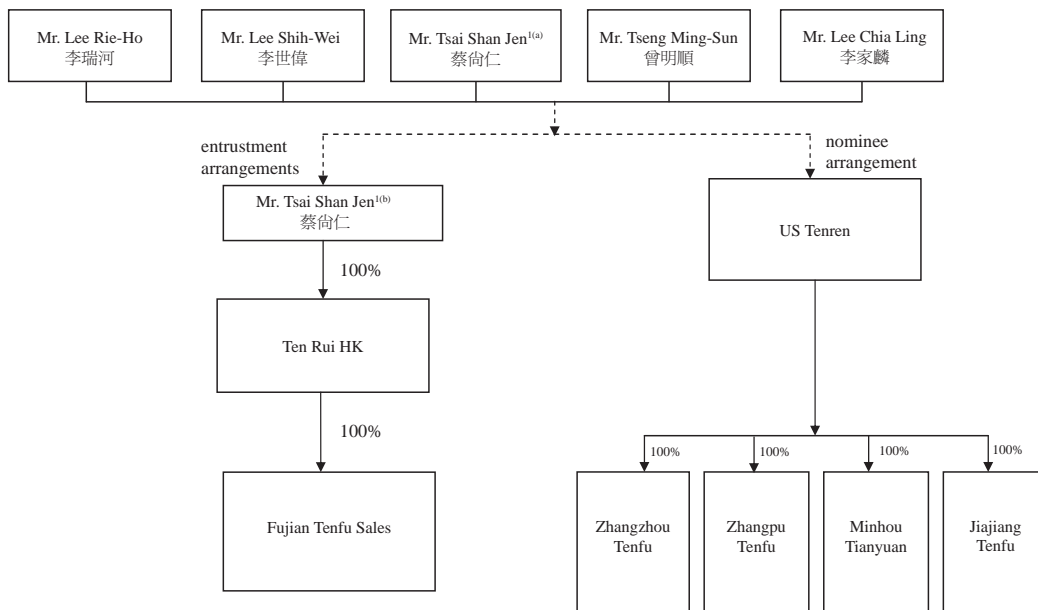
Share transfers in Discerning Group Limited and Trackson Investments Limited by Mr. Lee Rie-Ho and Mr. Lee Chia Ling into The WH Trust and The KCL Trust, respectively

On 18 April 2011, Mr. Lee Rie-Ho transferred the entire issued share capital in Discerning Group Limited to Super Giant which was ultimately held by the Trustee as the trustee of The WH Trust. In view that the Taiwan Investment Commission would take longer time to review and approve the application by Mr. Lee Rie-Ho with respect to the change in his investment shareholding structure through the establishment of The WH Trust, Mr. Lee Rie-Ho decided to have Super Giant transfer its shares in Discerning Group Limited back to himself. The said transfer was completed on 2 September 2011 and since then, Mr. Lee Rie-Ho owns 100% shareholding of Discerning Group Limited, which directly holds the Shares of our Company.

On 18 April 2011, Mr. Lee Chia Ling transferred the entire issued share capital in Trackson Investments Limited to Tiger Nature which is ultimately held by the Trustee as the trustee of The KCL Trust.

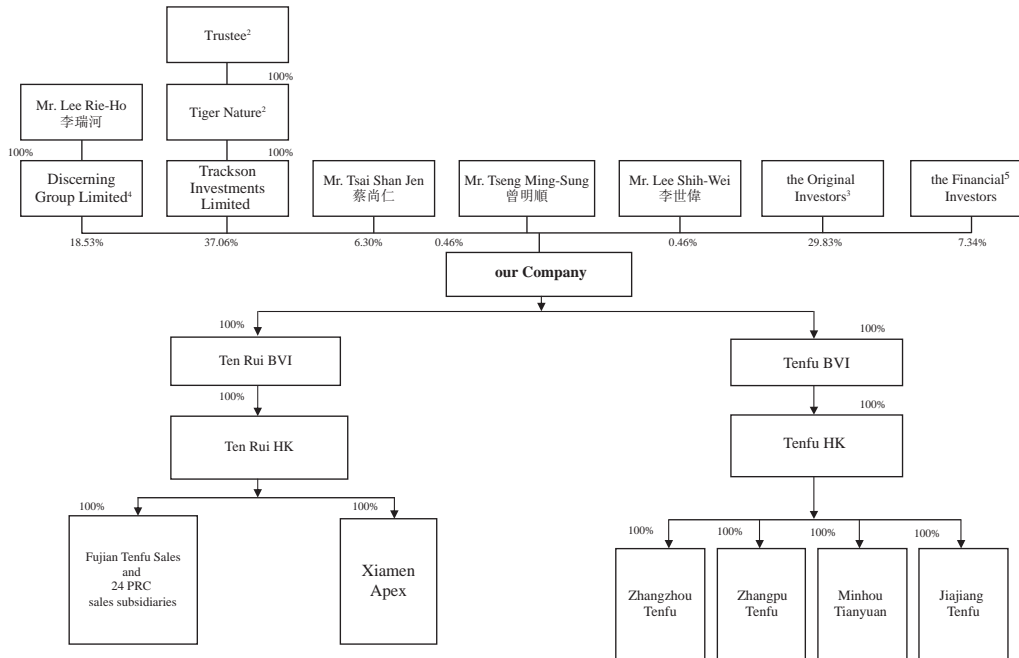
OUR CORPORATE AND SHAREHOLDING STRUCTURE

Set out below is our corporate and shareholding structure immediately prior to the Reorganisation.

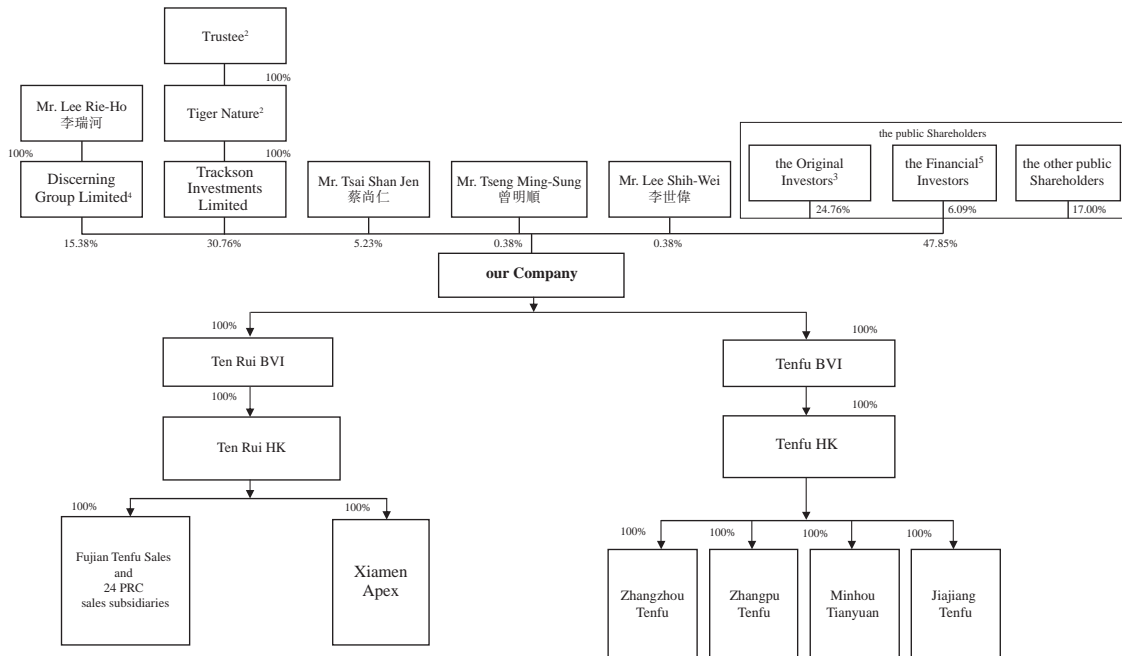


HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Set out below is our corporate and shareholding structure after the Reorganisation and immediately prior to the Global Offering.



Set out below is our corporate and shareholding structure immediately after the completion of the Global Offering but without giving effect to any exercise of the Over-Allotment Option or the Share Option Scheme.



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Notes:

- 1(a) Mr. Tsai Shan Jen, one of the Founding Members, held certain Shares in our Company for himself and on behalf of the Original Investors under an entrustment arrangement. This entrustment arrangement was terminated following the Reorganisation.
- 1(b) Mr. Tsai Shan Jen also held the shares in Ten Rui HK on trust for the other Founding Members. This entrustment arrangement was also terminated following the Reorganisation.
- 2 The entire issued share capital of Trackson Investments Limited is held by Tiger Nature which is in turn ultimately held by the Trustee for The KCL Trust. The KCL Trust is a discretionary trust established by Mr. Lee Chia Ling as settlor on 12 April 2011. The beneficiaries of The KCL Trust include family members of Mr. Lee Chia Ling.
- 3 Out of the Original Investors, 19 of them are related to Mr. Lee Rie-Ho, Mr. Lee Chia Ling and/or Mr. Lee Shih-Wei. These 19 Original Investors are interested in an aggregate of 8.54% of the issued share capital of our Company after completion of the Global Offering but without giving effect to any exercise of the Over-Allotment Option or the Share Option Scheme. The other 64 Original Investors are Independent Third Parties and are interested in an aggregate of approximately 16.22% of the issued share capital of our Company after completion of the Global Offering but without giving effect to any exercise of the Over-Allotment Option or the Share Option Scheme. These interests have been added to the shareholding attributable to the public Shareholders.
- 4 In view of the Taiwan Investment Commission's investment limit and with reference to the requirements that (i) a Taiwanese resident may only invest into the PRC in the maximum amount of US\$5.0 million (approximately HK\$39.0 million) for each year; and (ii) with respect to each corporate shareholder which is a Taiwan-incorporated company, the amount of investments in the PRC may represent no more than 60% of its net worth on a stand-alone or consolidated basis, if the amount of planned injection into our PRC subsidiaries is HK\$283.7 million per year (assuming the gross proceeds received by us from the Global Offering are approximately HK\$1,418.6 million, which are calculated by using the high-end of the stated price range of the Offer Price and without taking into account the Over-allotment Option and the Global Offering expenses) and our Group structure immediately after completion of the Global Offering, Mr. Lee Rie-Ho may be required to reduce his interest in our Company held through Discerning Group Limited by 1.64% within one year after completion of the Global Offering. In the event of such shareholding reduction by Discerning Group Limited in accordance with the Taiwan/Mainland Investment Regulations, Discerning Group Limited will hold approximately 13.74% of the issued share capital of our Company after completion of the Global Offering but without giving effect to any exercise of the Over-Allotment Option or the Share Option Scheme and the public Shareholders will hold approximately 48.17% of the issued share capital of our Company after completion of the Global Offering but without giving effect to any exercise of the Over-Allotment Option or the Share Option Scheme.
- 5 Please see disclosure in the section entitled "Pre-IPO Investments" in this prospectus.

PRE-IPO INVESTMENTS

PRE-IPO INVESTMENTS

On 15 December 2010, in order to raise funds for expansion and growth of our Group, our Company, Mr. Lee Rie-Ho and Mr. Lee Chia Ling (the “**Principal Shareholders**”) and the Financial Investors entered into a share subscription agreement (the “**Share Subscription Agreement**”), pursuant to which our Company agreed to allot and issue to the Financial Investors, and each of the Financial Investors agreed to subscribe for, an aggregate of 7,478,746 Shares in the capital of our Company for an aggregate subscription price of US\$30,000,000.

The investment was completed, and the Shares were issued to the Financial Investors, on 20 December 2010. The funds raised were used for the development of retail outlets in the PRC and general working capital of our Company.

On 15 December 2010, the Principal Shareholders and the Financial Investors entered into an investors’ rights agreement (the “**Investors Rights Agreement**”). Neither the Company nor any other Group company is a party of the Investors Rights Agreement. The Investors Rights Agreement will terminate on the earlier of (a) the Listing; (b) the parties agreeing in writing to terminate the Investors Rights Agreement; and (c) liquidation, administration, winding-up, bankruptcy or dissolution of our Company, or in respect of any party, it ceases to hold any Share in our Company save for any of its provisions which are expressed to continue in force after termination.

A brief summary of the terms of the Share Subscription Agreement and the Investors Rights Agreement is set out below:

The respective shareholding information of each of the Financial Investors:

Financial Investor	Date of settlement of Subscription Price	Number of Shares subscribed	Shareholding in the Company immediately after the completion of the Share Subscription Agreement	Subscription Price	Shareholding in the Company immediately after completion of the Global Offering and the Capitalisation Issue
				<i>(in US\$)</i>	
Pearl Ever Group Limited	20 December 2010	2,492,916	2.45%	10,000,000	2.03%
Sequoia Capital China Tenfu Limited . . .	20 December 2010	498,583	0.49%	2,000,000	0.41%
Heartland Capital Management Limited	22 December 2010	997,166	0.98%	4,000,000	0.81%
Ten Ren Tea (Hong Kong) Limited . . .	17 December 2010	1,246,458	1.22%	5,000,000	1.02%
Future Champion Holdings Limited .	20 December 2010	1,495,750	1.47%	6,000,000	1.22%

PRE-IPO INVESTMENTS

Financial Investor	Date of settlement of Subscription Price	Number of Shares subscribed	Shareholding in the Company immediately after the completion of the Share Subscription Agreement	Subscription Price	Shareholding in the Company immediately after completion of the Global Offering and the Capitalisation Issue
				<i>(in US\$)</i>	
Mr. Tsai Song	12 January 2011	249,291	0.24%	1,000,000	0.20%
Maw	(US\$600,000) 17 January 2011 (US\$400,000)				
IDG Technology Venture Investment					
IV, L.P.	22 December 2010	249,291	0.24%	1,000,000	0.20%
Mr. Lee Jui-Chi . . .	20 December 2010	249,291	0.24%	1,000,000	0.20%
Total:		<u>7,478,746</u>	<u>7.34%</u>	<u>30,000,000</u>	<u>6.09%</u>

Pearl Ever Group Limited (“**Pearl Ever**”), an investment vehicle incorporated in the British Virgin Islands, is wholly owned by CICC Growth Capital Fund 1, L.P.. The general partner of CICC Growth Capital Fund 1, L.P. is CICC Growth Capital Fund GP, L.P., and the general partner of CICC Growth Capital Fund GP, L.P. is CICC Growth Capital Fund GP, Ltd., which is indirectly wholly owned by China International Capital Corporation Limited.

Sequoia Capital China Tenfu Limited (“**Sequoia**”) is a company incorporated in the British Virgin Islands whose sole shareholder is Sequoia Capital China Advisors Limited, a Cayman Islands incorporated company ultimately controlled by Shen Nan Peng.

Heartland Capital Management Limited (“**Heartland Capital**”) provides investment advisory services and also acts as an investment holding company. The investment advisory activity is focused on the listed and unlisted securities of companies operating in the PRC. The company also invests in the African region on an opportunistic basis.

Ten Ren Tea (Hong Kong) Limited, a company incorporated in Hong Kong, is 83% owned by Ten Ren and 17% owned by Ten Ren Enterprise Co., Ltd. (天仁實業股份有限公司), which is 90% owned by Ten Ren and 10% owned by Hwa Jo Products Co., Ltd. (華喬物產股份有限公司). The ultimate shareholders of Hwa Jo Products Co., Ltd. are Independent Third Parties. As of the Latest Practicable Date, Ten Ren’s market capitalisation on The Taiwan Stock Exchange Corporation was New Taiwan Dollars 4,873.8 million (equivalent to HK\$1,300.5 million, at an exchange rate of TWD3.7478 = HK\$1.00). Ten Ren was incorporated in Taiwan on 11 December 1975 and is principally engaged in the production and sale of tea products in Taiwan.

Future Champion Holdings Limited, an investment company incorporated in the British Virgin Islands in 2010, and is controlled by Mr. Tiong Ing Hing, an Independent Third Party. Mr. Tiong is an entrepreneur in Malaysia. Future Champion Holdings Limited is focused on investment opportunities in Asia.

PRE-IPO INVESTMENTS

Mr. Tsai Song Maw is the father of Mr. Tsai Shan Jen, who is interested in approximately 6.3% in the issued share capital of our Company as of the Latest Practicable Date. Mr. Tsai demonstrated his support for his son by subscribing for an amount of US\$1 million in the Pre-IPO Investments.

IDG Technology Venture Investment IV (“IDG”), a Delaware limited partnership controlled by IDG Technology Venture Investment IV, LLC, which is in turn jointly controlled by Mr. Patrick J. McGovern and Mr. Zhou Quan, respectively. IDG Technology Venture Investment IV invests mainly in early and growth stage companies operating in the PRC’s technology, media, telecommunications and new media sectors.

Mr. Lee Jui-Chi, an Independent Third Party, is an entrepreneur in Taiwan. As the Tenfu (天福) brand is a well-known household brand, under which a majority of our tea products are sold, Mr. Lee intends to participate in the growth of our Group by participating in the Pre-IPO Investments.

Our Directors confirm that as at the Latest Practicable Date, apart from Mr. Tsai Song Maw who is the father of Mr. Tsai Shan Jen and one of our Founding Members, the other Financial Investors are Independent Third Parties and do not have any relationship with our Company and our Directors or Shareholders (save for (a) the entry into of the Share Subscription Agreement and the Investors Rights Agreement and (b) the interest of our Directors and their relatives in Ten Ren as disclosed in the section entitled “Relationship with Controlling Shareholders” in this prospectus).

Consent matters

Prior to the Listing and as long as any Financial Investor is a shareholder of our Company holding not less than 1.7% in the issued capital of our Company, the Principal Shareholders have agreed (and the Principal Shareholders shall procure that our Company so performs) not to take certain actions without the prior consent of Pearl Ever Group Limited together with any two other Financial Investors (other than Ten Ren Tea (Hong Kong) Limited). These restricted actions include, among others:

- (i) alteration or change of the rights, preferences or privileges of the Financial Investors as set out in the Investors Rights Agreement;
- (ii) issue of any equity interests or equity linked securities that rank senior in right of payment or preference to the Shares;
- (iii) issue of any equity or equity linked securities, except: (a) any Share to be issued which has an effective subscription price that is higher than the subscription price per Share under the Share Subscription Agreement; or (b) to the employees or executives of any member of our Group in accordance with employee equity incentive plans approved by the Shareholders’ meeting; or (c) in relation to the Listing;
- (iv) amendment of any provision of our Company’s memorandum or articles of association or other organisational or constitutional documents in a manner that would alter or change the rights of any Financial Investor’s Shares;
- (v) taking any action that would result in the repurchase of any Shares (except any repurchase of shares on termination of employment of any employee under the relevant share incentive scheme);

PRE-IPO INVESTMENTS

- (vi) other than in connection with the Listing, taking any action that would result in any merger, consolidation, share acquisition or other corporate reorganisation, or any transaction or series of transactions in which (a) in excess of 50% of our Company's voting power is transferred; or (b) pursuant to which all or substantially all of the key assets of our Group being dispose of; and
- (vii) taking any action that would result in the liquidation, dissolution or winding up of our Company.

Performance adjustments

The Principal Shareholders covenanted that adjustments would be made to each Financial Investor's shareholding in our Company in the event that our Group's consolidated net profit after taxation for the year ended 31 December 2010 is less than RMB190,000,000 in accordance with the following formula:

Financial Investor's revised shareholding percentage = (A) Financial Investor's initial shareholding percentage x RMB225,000,000/(B) the Group's consolidated net profit after taxation for the year ended 31 December 2010.

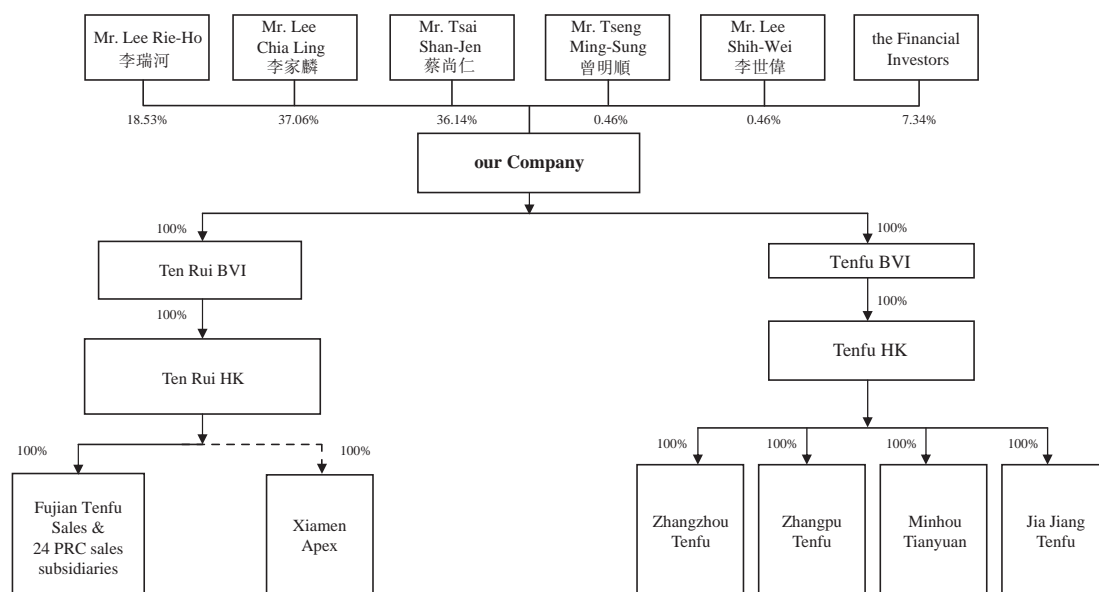
To satisfy the adjustments, the Principal Shareholders can elect to either (i) transfer to each Financial Investor at nil consideration such additional Shares as calculated by the formula (i) or (ii) pay each Financial Investor a compensation amount based on the formula: number of shares to be transferred by the Principal Shareholders as compensation x US\$4.011 per Share.

As our final audited consolidated net profit after taxation for the year ended 31 December 2010 is more than RMB190,000,000, no performance adjustment was required.

Information rights

We would provide each Financial Investor the latest financial information of our Group and such other information as each of the Financial Investor may reasonably require.

After completion of the equity investment by the Financial Investors, the corporate structure of our Group was as follows:



PRE-IPO INVESTMENTS

Polaris provided advisory services to us and acted as our placing agent in respect of the Pre-IPO Investments. Polaris was the principal channel of communication in respect of the Pre-IPO Investments, in particular, liaising between us, the Financial Investors and various other parties, including but not limited to offshore legal advisers and organised potential investors' plans and conducted retail outlets due diligence.

All consent matters and information rights mentioned in the Investors' Rights Agreement will lapse upon the Listing. According to the Share Subscription Agreement, the investment cost per Share was US\$4.011. If the Offer Price of the Shares is HK\$5.80 per Share, being the mid-point of the Offer Price range, then the investment cost per Share for the Financial Investors would represent a discount of approximately 46.1% to the Offer Price.

Restriction on disposals by the Financial Investors

In September 2011 each of the Financial Investors entered into a Deed of Undertaking pursuant to which each of them has undertaken to each of the Joint Bookrunners and us, that, without the Joint Bookrunners' and our prior written consent, it

- (i) will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the "**Lock Up Period**"), dispose of any of the Shares subscribed for by it pursuant to the Share Subscription Agreement;
- (ii) will not, and will procure that none of its affiliates or companies controlled by it or any nominee or trustee holding in trust for it will, offer, accept subscription for, pledge, charge, allot, sell, lend, mortgage, assign, contract to allot or sell, sell any option or contract to purchase, purchase any option or contract to sell, hedge, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, directly or indirectly, conditionally or unconditionally, any of the Shares or securities convertible into or exchangeable or exercisable for any of the Shares, enter into a transaction which would have the same effect (through the issuance of depositary receipts or otherwise), or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the Shares or any interest in them, whether any such aforementioned transaction is to be settled by delivery of the Shares or such other securities, in cash or otherwise, or offer or agree or announce any intention to do any of the foregoing; and
- (iii) will not, during the Lock-Up Period, make any demand for or exercise any right with respect to, the registration of any Shares or any security convertible into or exercisable or exchangeable for the Shares.

Any Shares acquired by the Financial Investors in the open market after the Listing Date will not be subject to the aforesaid Deed of Undertaking which shall lapse and become null and void if the Listing shall not have occurred on or before 31 December 2011.

OVERVIEW

We are a leading traditional Chinese tea-product enterprise in the PRC engaged in the sale and marketing of a comprehensive range of tea products and the development of product concepts, tastes and packaging designs. Our key products are tea leaves, tea snacks and tea ware, which we sell through a nationwide network of self-owned and third-party owned retail outlets and retail points. According to a commissioned report by Euromonitor International, further details of which are set out under the section entitled “Industry Overview” in this prospectus, as of 31 March 2011, we had the largest sales network amongst all branded traditional Chinese tea-product companies in the PRC in terms of the number of self-owned and third-party owned retail outlets and retail points that exclusively sell our products, and our Tenfu (天福) brand has one of the highest levels of brand awareness amongst tea-product consumers in the PRC. In 2010, our branded traditional Chinese tea leaves had the largest market share in terms of retail sales value of all branded traditional Chinese tea leaves in the PRC and our Oolong tea and green tea dominated the respective market segments, according to Euromonitor International.

Our core competence lies in the sourcing, classification, sale and marketing of our branded traditional Chinese tea leaves. Our tea leaves are sourced by our team of specialist tea tasters from a network of tea farmers and tea manufacturers from renowned tea growing regions in the PRC who supply tea leaves in finished form to us according to our specifications. These tea leaves are categorised and appraised by our specialist tea tasters and packaged at our facilities, while our quality control team ensures that the tea leaves meet the consistency profile and quality standards we prescribe. Our specialist tea tasters also work with our senior management and marketing department to develop new product concepts according to consumer preferences, product trends and changes in demand. We offer over 160 varieties of tea snacks, most of which are infused with the flavour of tea leaves. Most of our tea snacks are developed by our research and development team and produced at our own facilities. As part of our business, we also sell tea ware under our own brands. Most of our tea ware are designed and manufactured by external manufacturers according to our specifications. In addition, we sell tea ware under the Lu Yu (陸羽) brand, which is owned by Lu Yu, a connected person of our Company.

We adopt a multi-brand strategy to capture different segments of the traditional Chinese tea market in the PRC. Our most popular and well-known brand is the Tenfu brand. Our Tenfu brand tea products are primarily sold in our self-owned and third-party owned retail outlets and retail points where we strive to offer a personalised tea shopping experience. We also offer a separate line of products under the Tenfu Ten Xin (天福天心), Danfeng (丹峰) and Uncle Lee (安可李) brands which are primarily sold through our concession points at supermarkets in the PRC. We are the owner of the Tenfu Ten Xin and Uncle Lee trademarks, while the Danfeng trademark is in the process of being transferred to us.

BUSINESS

The following table sets forth our core sales channels and the major brands and types of tea products sold through each sales channel:

Sales channel	Brands	Types of tea products offered
Self-owned retail outlets and retail points	<ul style="list-style-type: none"> • Tenfu (天福) • Lu Yu (陸羽) • Ten Ren (天仁) 	<ul style="list-style-type: none"> • Tea leaves under the Tenfu and Ten Ren brands • Ten snacks under the Tenfu brand • Tea ware under the Lu Yu brand
Third-party owned retail outlets and retail points	<ul style="list-style-type: none"> • Tenfu (天福) • Lu Yu (陸羽) • Ten Ren (天仁) 	<ul style="list-style-type: none"> • Tea leaves under the Tenfu and Ten Ren brands • Ten snacks under the Tenfu brand • Tea ware under the Lu Yu brand
Concession points at hypermarkets owned and operated by Independent Third Parties	<ul style="list-style-type: none"> • Tenfu Ten Xin (天福天心) (to replace the previous Ten Sin (天心) brand) • Uncle Lee (安可李) • Danfeng (丹峰) 	<ul style="list-style-type: none"> • Tea leaves under the Tenfu Ten Xin and Danfeng brands • Tea snacks under the Uncle Lee brand

As of 31 March 2011, our tea products were sold in 1,062 retail outlets and retail points across 29 provinces, autonomous regions and municipalities in the PRC, including stores with shopfronts at street level and in shopping malls and concession counters in department stores and hypermarkets. These retail outlets and retail points were comprised of 453 self-owned and 609 dedicated third-party owned retail outlets and retail points, all of which bear the Tenfu (天福) brand name and exclusively sell our tea products and products authorised by us. To capture customers who prefer to buy tea products from hypermarkets, we acquired Xiamen Apex in January 2011. As of 31 March 2011, Xiamen Apex sold tea leaves and tea snacks under the Ten Sin, Danfeng and Uncle Lee brands through its concession points at 164 hypermarkets that were owned and operated by Independent Third Parties.

During the Track Record Period, a substantial amount of our revenue was generated from the wholesale of our tea products to third-party retailers. We commenced the restructuring of our retail sales network and began to operate our self-owned retail outlet in the PRC in October 2008. Prior to October 2008 and with a view to achieving greater operational and distribution efficiency, we divided the PRC into different regions with each region represented by regional third-party retailers. The regional third-party retailers operated their own retail outlets. Most of them also distributed our products to local third-party retailers in their regions. To better manage our business expansion, we gradually acquired some of the third-party owned retail outlets and retail points and set up our own PRC sales subsidiaries to take over the function of the regional retailers in the distribution to local retailers. The restructuring has enabled us to better control and manage our sales network. By March 2011, we completed our retail network restructuring. Since then, we have sold our products at self-owned retail outlets and retail points. We have also sold our products through our PRC sales subsidiaries to third-party retailers on a wholesale basis and through our concession points at hypermarkets owned and operated by Independent Third Parties. To expand our sales network, we also plan to acquire or set up additional retail outlets and retail points and continue to engage third-party retailers to open additional retail outlets and retail points.

BUSINESS

Most members of our senior management team have been engaged in the tea industry for over 20 years, and collectively have a proven track record of delivering growth and profitability. In particular, our core management team, including Mr. Lee Rie-Ho, who is our Chairman and one of our Founding Members, Mr. Lee Shih-Wei, Mr. Lee Kuo-Lin and Mr. Lee Chia Ling, have been instrumental to our Company's development. Other members of our senior management also have significant relevant experience in key aspects of our operations, including procurement, marketing, advertising, human resource, training and corporate financial management.

Our revenue increased from approximately RMB571.0 million in 2008 to RMB692.7 million in 2009 and to RMB1,247.0 million in 2010, respectively, representing a CAGR of approximately 47.8%. Our revenue increased from approximately RMB269.0 million in the three months ended 31 March 2010 to RMB459.6 million in the three months ended 31 March 2011, representing a period-on-period growth of approximately 70.9% for such period. Our net profit increased from approximately RMB109.2 million in 2008 to RMB138.9 million in 2009 and further to RMB223.0 million in 2010, representing a CAGR of approximately 42.9% over that period. Our net profit increased from approximately RMB42.9 million in the three months ended 31 March 2010 to RMB94.5 million in the three months ended 31 March 2011, representing a period-on-period growth of approximately 120.3% for such period.

OUR COMPETITIVE STRENGTHS

Our Directors believe that our success to date has been attributable to the following principal competitive strengths of our Group:

We have a leading position in the traditional Chinese tea-product market in the PRC

We are a leading traditional Chinese tea-product enterprise in the PRC engaged in the sale and marketing of a comprehensive range of tea products and development of product concepts, tastes and packaging designs. Our Tenfu brand was established in 1993 and our trademark “” was recognised as a “Well-known Trademark of the PRC” (中國馳名商標) by Trademark Office of the State Administration for Industry and Commerce of the PRC (國家工商行政管理總局商標局) in 2005. With more than 18 years of presence, we believe that our Tenfu brand has become a household name in the Chinese branded tea market. According to Euromonitor International, our Tenfu brand has one of the highest levels of brand awareness amongst traditional Chinese tea-product consumers in the PRC. In 2010, our branded traditional Chinese tea leaves had the largest market share in terms of retail sales value of all branded traditional Chinese tea leaves in the PRC and our Oolong tea and green tea dominated the respective market segments, according to Euromonitor International.

According to Euromonitor International, the traditional Chinese tea industry in the PRC enjoyed a healthy volume growth from 2000 to 2010 and had a market size of approximately RMB32,820.0 million in 2010 in terms of retail sales value, and is expected to grow at a CAGR of 13.9% between 2011 and 2013. The Chinese consumers' tea drinking tradition, and recent trends of consumers switching from unbranded to branded traditional Chinese tea leaves as living standards rise, are major factors which drove the growth of sales of branded traditional Chinese tea leaves in the PRC in recent years. We believe brand awareness is amongst the most important factors to the Chinese retail consumer when making selections, as branded goods generally portray an image of better quality and prestige. As a leading provider of branded traditional Chinese tea leaves in the PRC, we believe that we are in a strong position to capture the expected market growth in the branded traditional Chinese tea leaves market in the PRC. We also believe that our brand

BUSINESS

recognition built through our consistent delivery of quality tea products gives us a strong competitive advantage in maintaining our leading position and further expanding our market share in the branded traditional Chinese tea leaves market.

We have a nationwide sales and distribution network

Our extensive sales network spans across 29 provinces, autonomous regions and municipalities in the PRC, which, according to Euromonitor International, renders us the largest amongst all branded Chinese tea-product companies in the PRC, in terms of the number of self-owned and third-party owned retail outlets and retail points exclusively selling our products as of 31 March 2011. As of 31 March 2011, our tea products were sold in 1,062 retail outlets and retail points across the PRC (including stores with shopfronts at street level and in shopping malls and concession counters in department stores and hypermarkets), comprising 453 self-owned and 609 third-party owned retail outlets and retail points.

To capture further customers who prefer to buy their tea products from hypermarkets, we acquired Xiamen Apex in January 2011, which offers a separate line of products under the Ten Sin and Danfeng branded traditional Chinese tea leaves and the Uncle Lee branded tea snacks through our concession points at hypermarkets owned and operated by Independent Third Parties. As of 31 March 2011, Xiamen Apex sold tea leaves and tea snacks through 164 hypermarkets in the PRC. By entering into concession agreements with hypermarket chains in the PRC, we are able to sell our products through the extensive network established by such hypermarket chains across the PRC and target consumers in a different segment who prefer to shop for their tea products at hypermarkets. We believe that this differentiates us from those of our competitors who sell their tea products exclusively via traditional stores.

Our nationwide, multi-channel sales and distribution network enables us to access a broad market audience and penetrate into different regions in the PRC, and continue to rapidly expand our sales.

Our multi-brand strategy and comprehensive offering of tea products allow us to target different consumer segments

We adopt a multi-brand strategy to capture different segments of the tea market in the PRC. Our most popular and well-known brand is the Tenfu (天福) brand. We also offer a separate line of products under the Tenfu Ten Xin (天福天心), Danfeng (丹峰) and Uncle Lee (安可李) brands which are primarily sold through our concession points at hypermarkets owned and operated by Independent Third Parties in the PRC. We believe that our multi-brand strategy has allowed us to tap into a wider customer base with different levels of spending power.

Since our establishment, we have successfully developed a comprehensive range of products, including a range of affordable to premium tea leaves to cater for consumers with different purchasing power and spending preferences, and a wide range of tea snacks, most of which are infused with the flavour of tea leaves and a wide range of tea ware to complement the tea leaves that we offer. Currently, we offer over 1,100 varieties of tea-leaf products, over 160 varieties of tea snacks and over 2,690 varieties of tea ware. We believe that our broad product portfolio allows us to target consumers at different spending levels and cater for different consumer tastes, thereby differentiating us from those of our competitors that do not match our broad offerings.

We believe that our multi-brand strategy supported by our comprehensive offering of tea products has been a key to our success as a leading provider of tea products in the PRC and enables us to capture future market growth in different consumers segments in the PRC.

We actively promote a tea culture and offer a personalised shopping experience to consumers

Our Chairman and one of our Founding Members, Mr. Lee Rie-Ho, has built a solid reputation in the Chinese tea industry over the past 60 years. Under the leadership of our Chairman and our management team, we have strived to promote the traditional Chinese tea culture to our customers. Tea culture broadly encompasses the traditions in the making and consumption and appreciation of tea, and the aesthetics and etiquette surrounding tea drinking. Chinese tea has a very long history. To promote the traditional tea culture, we offer complimentary tea tasting, tea making and tea selection guidance to customers at self-owned and third-party owned retail outlets. Sales attendants at the retail outlets are specially trained to provide guidance and advice on tea tasting, tea classification and tea making to customers at these retail outlets. By promoting the tea culture, we believe that we provide a personalised tea shopping experience to our customers to enhance their interest in and loyalty to Tenfu's tea products.

In line with our passion in promoting the traditional Chinese tea culture, we have established a tea museum in Fujian province and another in Sichuan province. The two tea museums have a total gross floor area of approximately 7,917 square meters and showcase the history and development of tea and the tea culture in the PRC as well as a number of other countries. The museums illustrate our long-term commitment to developing the tea culture in the PRC, and is also a unique marketing channel for us. During the Track Record Period, over 82,582 visitors in total have visited our museums. Our tea museums have also been regularly visited by government officials, diplomats and celebrities in the PRC and from overseas. We believe that our passion in the promotion of Chinese tea culture differentiates us from our competitors, and has enhanced the awareness and popularity of our Tenfu brand.

We adopt a market-oriented product development strategy and are able to respond swiftly to market trends and demands

We adopt a market-oriented product development strategy and our nationwide sales network enables us to gain a good knowledge of consumer preferences and changes in demand to enable us to constantly and successfully bring new products to the tea-product market in the PRC.

During the Track Record Period, we had developed and introduced approximately 332 tea-product offerings. We focus our product development efforts on improving our existing products as well as introducing new products, flavours and packaging to adapt to emerging market trends and tastes. Before we launch a new tea product, we usually undertake market testing to determine the popularity of the product. With 18 years of sourcing, development and marketing experience, we are able to develop and launch a new product offering within a period as short as approximately two months. We believe that our strong product development and ability to respond swiftly to market demands provide us with a competitive advantage in maintaining our market share and contributing to our long term growth and profitability.

Our management team has a proven track record and expertise

Our management team has a strong proven track record of delivering growth and profitability. Most members of our senior management team have been in the tea industry for over 20 years. In particular, our core management team, including Mr. Lee Rie-Ho, who is our Chairman and one of our Founding Members, Mr. Lee Shih-Wei, Mr. Lee Kuo-Lin and Mr. Lee Chia Ling, have been instrumental to our Company's development. Other members of our senior management have significant relevant experience in key aspects of our operations, including procurement, product development, marketing, human resource, training and corporate financial management, which we believe have been essential to our growth in recent years and will be critical to implementing our key strategies in the future.

OUR STRATEGIES

Our primary goal is to continue to grow our business and increase our market share by leveraging our strong market position and sales network and the anticipated economic growth in the tea market in the PRC. The following sets forth elements of our key strategic initiatives:

Continue to expand and optimise our network of retail outlets and retail points

We intend to further strengthen our leading market position and profitability by expanding and optimising our network of retail outlets and retail points. In particular, we plan to achieve a net increase of approximately 150 retail outlets and retail points per year in the next five years, including both self-owned and third-party owned retail outlets and retail points. Due to the higher flow of consumers and the ability to enhance our brand awareness, we intend to establish new retail outlets on high-traffic streets of the central business districts of selected cities, as well as retail points in popular shopping malls.

We will also continue to strengthen our business relationship with major department stores and hypermarkets in the PRC through entering into cooperation agreements to expand the circulation of our tea products.

In continuation of our expansion strategy and restructuring initiative, we plan to further acquire retail outlets and retail points from third-party retailers that fit our expansion strategies, provide synergies to self-owned retail outlets and retail points and are located in the affluent areas of the PRC. We will also continue to work closely with third-party retailers to improve the shopping experience at retail outlets by enhancing the ambiance and atmosphere of the retail outlets and focusing on improving customer service through periodic training.

Continue to enhance our brands' reputation and consumer awareness of our brands

We will continue to maintain and promote the well-known Tenfu brand through effective and targeted marketing. To further enhance our overall popularity and consumer awareness of our brands in the PRC, we plan to increase our advertising efforts, including placing advertisements on television, public transport and print media such as magazines.

To further promote our brand image, we intend to continue to participate in international events, such as Asia-Pacific Economic Cooperation (APEC) events. We will also reinforce our marketing strategies to attract customers between the ages of 25 to 35 who we anticipate will be one of our key sources of future growth, and continue to attract our current customers, who are mostly between the ages of 35 to 50. We propose to put greater focus on promotional activities targeted at these consumer groups. In view of the seasonality of tea products sales, we will make further efforts to promote our products and our brands during major Chinese traditional festivals.

Further, we believe that our nationwide distribution network is an effective brand promotion channel. As of 31 March 2011, we have opened 14 tea cultural flagship stores in 14 cities such as Beijing, Xiamen, Wuhan and Harbin. Our tea cultural flagship stores are all located around high streets where we are able to promote our brands to potential customers. These tea cultural flagship stores have designated areas for the promotion of tea culture and are aimed to enrich the shopping experience of our customers.

Continue to develop new concepts for tea-related products

We currently have a broad offering of tea and tea-related products. We believe that a broad portfolio offering helps us to maintain our leading brand awareness and allows our tea products to meet different consumer preferences. Given the constantly changing trends and consumer preferences, as well as our strategy to capture customers at different age groups and gender segments, we will continue to develop and introduce new concepts for tea-related products to maintain our competitive advantage. We also plan to enhance our product development and marketing capabilities by recruiting talented individuals who can bring us fresh ideas and increasing our expenditure on marketing.

Continue to enhance the efficiency and effectiveness of our processing and distribution systems

We take pride in our ability to efficiently distribute our finished tea leaves to self-owned or third-party owned retail outlets and retail points. At present, we are able to distribute our products to self-owned or third-party owned retail outlets and retail points within five to 11 days upon receipt of orders. As our tea leaves products generally have a quality guarantee expiry period of one or two years, we and our third-party retailers seek to optimise inventory level and maintain the freshness and quality of our tea leaves products. At present, most of our self-owned and third-party owned retail outlets and retail points are connected to a centralised POS (Point of Sale) system. This allows us to monitor, amongst others, the sales and inventory data of each of our self-owned and third-party owned retail outlets and retail points. These data are important to our inventory and resource management and are useful for us to identify sales and consumers trends by gaining an understanding of the popular selling items.

As our business and scale of operation grow, we will need to ensure that each of our business units can function in a coordinated and efficient manner, and our resources are effectively managed. In this connection, we plan to implement a fully integrated ERP (Enterprise Resource Planning) system which is connected to our POS system. We expect that the availability of real-time data on sales and inventory information of retail outlets operated by us and third-party retailers to the fully-integrated ERP system is expected to allow us to plan our processing schedules and manage our resources and monitor sales and inventory information efficiently and effectively. We anticipate that the implementation of the ERP systems and integration with our POS systems will be completed by 2012.

Expand our production capability

We currently have two packaging facilities in Fujian province and one packaging facility in Sichuan province for tea leaves with total annual output of approximately 3,107 tonnes. We also have two production facilities in Fujian province and Sichuan province for tea snacks with total annual output of approximately 2,682 tonnes.

To cater for our future growth and anticipated increase in the demand for our tea and tea related products, we plan to expand our production capabilities when suitable acquisition opportunities arise or suitable construction sites can be acquired.

Improve our cost management

During the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, our cost of inventory accounted for 50.4%, 52.6%, 42.2% and 37.7% of our total revenue, respectively. Although we believe that the level of our expenses has been satisfactory, in order to enhance our profitability, we aim to improve our cost management. To better manage our cost, our procurement team will continue to explore supplies of quality tea leaves in finished form

BUSINESS

from tea farmers and tea producers. In addition, we will continue to lower our cost by purchasing high-quality tea leaves during low seasons and leverage our expertise to store these tea leaves at low temperature to ensure that they retain their original freshness. We also intend to centralise the procurement of the majority of our raw materials for tea snacks to take advantage of economies of scale and maximise our bargaining power with suppliers. We will continue to seek new methods to manage our costs effectively and further improve our profitability.

Retain, develop and attract talented personnel

We believe that the successful implementation of our business and growth strategies depends upon our ability to retain, develop and attract and motivate experienced employees at all levels. We focus on creating an enjoyable working environment by promoting a corporate culture of diligence, integrity, creativity and open communication amongst all our staff. We retain, develop and attract talented individuals in the industry by providing competitive remuneration and structured training to our employees.

We arrange continuous training for our employees, ranging from tea serving, tea leaves selection, customer services to store management, which enables our employees to develop a long-term career in the tea industry.

We will continue to offer our employees a range of incentives which are tied with our Company's performance, including a merits-based compensation and promotion system. We have also adopted the Share Option Scheme which provides selected employees with rewards which are tied-in with our performance. With our market leading position and the career opportunities, we believe we can continue to attract good candidates for our Company.

PRODUCTS

Our key products are traditional Chinese tea leaves, tea snacks and tea ware. The following table sets forth the revenue generated from sales of our tea leaves, tea snacks and tea ware during the Track Record Period:

	Year Ended 31 December						Three Months Ended 31 March			
	2008		2009		2010		2010		2011	
	<i>RMB in millions</i>	<i>% of Revenue</i>	<i>RMB in millions</i>	<i>% of Revenue</i>	<i>RMB in millions</i>	<i>% of Revenue</i>	<i>RMB in millions</i>	<i>% of Revenue</i>	<i>RMB in millions</i>	<i>% of Revenue</i>
Revenue contributed from:										
Tea leaves	390.0	68.3%	501.4	72.4%	876.6	70.3%	187.4	69.7%	329.0	71.6%
Tea snacks	106.6	18.7%	116.6	16.8%	200.8	16.1%	46.3	17.2%	71.8	15.6%
Tea ware	56.8	10.0%	52.3	7.6%	134.6	10.8%	27.3	10.1%	49.9	10.9%
Others ⁽¹⁾	17.6	3.0%	22.4	3.2%	35.0	2.8%	8.0	3.0%	8.9	1.9%
Total	571.0	100.0%	692.7	100.0%	1,247.0	100.0%	269.0	100.0%	459.6	100.0%

Note:

- (1) "Others" include revenue from hotel and restaurants operations and tourism. We derived our revenue from these operations through provision of accommodation, food and beverages and other ancillary services and ticket sales from our tea museums and sightseeing facilities.

BUSINESS

On 1 June 2011, the Ministry of Health of the PRC published a list of specific types of plasticisers which are prohibited for use in food products. As confirmed by our Directors, none of our products contain any of the plasticisers specified in such list and we have not imported any DEHP-contaminated clouding agent.

Tea Leaves

We offer a range of affordable to premium tea leaves to cater for consumers with different spending preferences in the tea market in the PRC. Our tea leaves can be categorised by their degree of fermentation and include non-fermented green tea, partially fermented Oolong tea, fully fermented black tea and post-fermented Pu'er tea. We also sell other types of tea including scented tea and flower tea. Most of our tea leaves are sourced from renowned tea growing regions in the PRC, including Fujian, Yunnan, Zhejiang, Jiangsu, Anhui, Guangxi, Hainan and Henan provinces. The procurement cost for different types of tea leaves vary depending on various factors, including the market value specific to each type of the tea leaves, the labour costs involved in the picking and processing of tea leaves, the climate affecting their growing conditions and hence the overall production level, and our bargaining power against the individual suppliers and the results of price negotiations with these suppliers. We have a team of specialist tea tasters to categorise our tea leaves and ensure that the tea leaves that we source offer a consistent thickness that meets the required flavour profiles of our individual senses of tea. Currently, we offer over 1,100 varieties of tea leaves (in terms of different types of tea leaves and different types of packages and sizes) with prices ranging generally from RMB32 to RMB200,000 per kilogram.

The following table sets forth the revenue generated from sales of our tea leaves during the Track Record Period:

	Year ended 31 December						Three months ended 31 March			
	2008		2009		2010		2010		2011	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
	<i>(Unaudited)</i>									
Revenue contributed										
from:										
Green tea	56,074	14.4%	87,491	17.5%	199,442	22.7%	28,401	15.2%	55,420	16.8%
Oolong tea	205,535	52.7%	276,832	55.2%	418,591	47.8%	98,234	52.4%	161,584	49.1%
Black tea	2,469	0.6%	13,776	2.7%	54,298	6.2%	12,566	6.7%	30,483	9.3%
Pu'er tea	48,205	12.4%	52,518	10.5%	107,252	12.2%	24,021	12.8%	45,070	13.7%
Other teas	77,596	19.9%	70,778	14.1%	96,983	11.1%	24,187	12.9%	36,497	11.1%
Total	<u>389,879</u>	<u>100.0%</u>	<u>501,395</u>	<u>100.0%</u>	<u>876,566</u>	<u>100.0%</u>	<u>187,409</u>	<u>100.0%</u>	<u>329,054</u>	<u>100.0%</u>

Green tea

Green tea is a non-fermented tea. It is known for its richness in vitamins and minerals as well as its antioxidants. We source green tea leaves from renowned tea suppliers in the Taihu Lake (太湖) area in Jiangsu province and Hangzhou city in Zhejiang province in the PRC, where the soil quality and humidity are well suited to give these tea leaves their freshness and taste. The tea leaves that we source from Jiangsu province primarily consist of Dongting Bi Luo Chun (洞庭碧螺春) and Nanjing Yu Hua tea (南京雨花茶). Dongting Bi Luo Chun is one of our premium tea products and its tea leaves are therefore sourced at relatively higher costs. Nanjing Yu Hua tea is sourced at different cost levels and covers a range of our affordable to premium product offerings. In Zhejiang province, the primary source of tea leaves is made up of Xihu Long Jing (西湖龍井) and Da Fo Long Jing (大佛龍井). Due to its wide recognition, we offer Xihu Long Jing as a premium product and hence the cost of procuring its tea leaves are relatively higher than those of the other types of green tea leaves. Comparatively, Da Fo Long Jing is sourced at relatively lower costs but at greater amount and covers a range of our affordable to premium product offerings. We also source green tea leaves from tea suppliers in Fujian, Anhui, Henan and Guangxi provinces.

The tea leaves that we source from tea suppliers in Fujian province primarily consist of Fujian Maofeng (福建毛峰), which is procured at relatively lower costs than those for green tea leaves sourced from tea suppliers in Jiangsu and Zhejiang provinces. Most of our green tea leaves which are sourced from tea suppliers in Anhui province are renowned for their origin, such as Huang Shan Maofeng (黃山毛峰) and Liu An Gua Pian (六安瓜片). These green tea leaves cover a range of our affordable to premium product offerings. In Henan province, we primarily source Xin Yang Mao Jian (信陽毛尖) which covers a range of our affordable to premium product offerings. Ling Yun Bai Hao (凌雲白毫) is also a main source of green tea leaves from Guangxi province. In 2011, our cost of procuring green tea leaves generally ranges from approximately RMB17 to RMB7,600 per kilogram. Depending upon the grades and types of packaging, the prices of our green tea leaves generally range from RMB35 to RMB60,000 per kilogram. Currently, we offer over 390 varieties of green tea leaves (in terms of different types of tea leaves and different types of packages and sizes) which can generally be preserved for up to 24 months.

Photographs of some of our best-selling green tea-product series are set out below:



Long Jing green tea series
(龍井系列 – 西湖龍井-2000)



Long Jing green tea series
(龍井系列 – 早春龍井-1000)



Bi Luo Chun green tea series
(碧螺春系列 – 碧螺春-600)

Oolong Tea

Oolong tea is a partially fermented tea known for its rich, fruity fragrance and pleasant aftertaste. We source our Oolong tea leaves primarily from tea suppliers located in Fujian province where the soil and weather provide an ideal environment to cultivate tea leaves which bring a floral and fruity taste. The Oolong tea leaves that we source from this province primarily consist of Yan Cha (岩茶) from the Wu Yi Shan region and Tieguanyin (鐵觀音) from the southern region of Fujian province. We also import high-grade Taiwan Gao Shan Oolong (台灣高山烏龍茶) tea leaves from Taiwan. The Oolong tea leaves sourced from Fujian province and Taiwan cover a range of our affordable to premium product offerings. In 2011, our cost of procuring Oolong tea leaves generally ranges from approximately RMB16 to RMB1,400 per kilogram. Depending upon the grades and types of packaging, the prices of our Oolong tea product generally range from RMB120 to RMB20,000 per kilogram. Currently, we offer over 260 varieties of Oolong tea leaves (in terms of different types of tea leaves and different types of packages and sizes) which can generally be preserved for up to 24 months.

Photographs of some of our best-selling Oolong tea-product series are set out below:



Guan Tian Xia
Tieguanyin
(觀天下鐵觀音)



You Ran Tieguanyin
(悠然天地中鐵觀音)



Wen Xin Tieguanyin
Oolong tea series
(溫心見真情鐵觀音)



Jin Cai Zhen Ming Rock tea
(金彩珍茗大紅袍)



APEC: Tenfu 813 Oolong tea
(APEC系列:天福 813烏龍茶)



APEC: Alishan Oolong tea
(APEC系列:阿里山烏龍茶)

Black tea

Black tea is a fully fermented tea. Black tea has a stronger flavour than green tea or Oolong tea. When brewed, black tea forms a dark reddish or reddish-brown colour and has a malty flavour and rich flowery aroma. We source our black tea leaves from renowned tea leaf growers located at Wu Yi Mountain in Fujian province and in Yunnan province, where the abundant rainfall, mild climate and fertile land have made both places ideal for tea cultivation. The black tea leaves that we source from Fujian and Yunnan provinces cover a range of our affordable to premium product offerings. In 2011, our cost of procuring black tea leaves generally ranges from approximately RMB14.7 to RMB560 per kilogram. Depending on the grades of tea and the type of packaging, the prices of our black tea series generally range from RMB40 to RMB20,000 per kilogram. Currently, we offer over 30 varieties of black tea leaves (in terms of different types of tea leaves and different types of packages and sizes) which can generally be preserved for up to 24 months.

Photographs of some of our best-selling black tea-product series are set out below:



Premium Selected Series
black tea
(鑫鑽世家紅茶)



Jin Jun Mei black tea
(金駿眉)



Yin Jun Mei black tea
(銀駿眉)

Pu'er tea

Pu'er tea (普洱) is a post-fermented tea that is produced from a broad green tea leaf that is typically grown in Yunnan province. There are two general types of Pu'er tea, ripened and raw. Raw Pu'er tea is made from broad green tea leaves which are softened, rolled, sundried, steamed and moulded into different shapes. After processing, these raw Pu'er tea leaves will then be aged over time to become ripened Pu'er tea. Another technique known as Wòdūi (渥堆), which involves piling, dampening and turning the raw Pu'er tea leaves, can be employed to accelerate the aging process. We source processed Pu'er tea leaves only from tea suppliers in Yunnan province and offer both raw Pu'er tea and ripened Pu'er tea. Owing to the commercial speculation of Pu'er tea in recent previous years, the market for Pu'er tea has seen acute fluctuations in its price in 2007. Since then, the price level of Pu'er tea has gradually been rationalised. In 2011, our cost of procuring Pu'er tea leaves generally ranges from approximately RMB20 to RMB250 per kilogram. Depending on the grades and types of packaging, prices of our Pu'er tea leaves generally range from RMB32 to RMB200,000 per kilogram. Generally, the longer Pu'er tea is preserved, the higher is its price. Currently, we offer over 240 varieties of Pu'er tea leaves (in terms of different types of tea leaves and different types of packages and sizes).

BUSINESS

Photographs of some of our best-selling our Pu'er tea-product series are set out below:



Yunnan Pu'er tea
(普洱茶禮盒-486G)



Yunnan Pu'er tea
(忘年普洱-400G)



Premium Selected Series
Pu'er tea
(鑫鑽世家普洱茶)

Other teas

We also offer a variety of other teas including scented teas and flower teas (花茶). Our scented tea series are typically made with green tea as the tea base, and are infused with jasmine or osmanthus flavours. Our flower teas are primarily made with jasmine flowers as the tea base and also include the chrysanthemum series, the rose bud series and the assorted flower series. The tea base of our scented teas and our flower teas are mainly sourced from growers in Fujian, Guangxi, Zhejiang and Hainan provinces. Owing to the increasing costs of cultivation and procurement and the progressive urbanisation of the Fuzhou region in recent years that has diminished the tea base for jasmine flower, Guangxi province, which has an abundance of flowers, has emerged as an alternative source of supply. Both of our scented teas and flower teas cover a range of our affordable to premium product offerings. In 2011, our cost of procuring tea leaves in this category generally ranges from approximately RMB6.4 to RMB390 per kilogram. Depending on the kind of tea base and grades, the prices in this category generally range from RMB32 to RMB16,000 per kilogram. Currently, we offer over 160 varieties of scented teas and flower teas (in terms of different types of tea leaves and different types of packages and sizes) which can generally be preserved for up to 24 months.

Photographs of some of our best-selling scented tea and flower tea-product series are set out below:



Jasmine tea
(绣球茉莉花茶)



Jasmine tea
(珍珠茉莉-350)



Osmanthus Oolong tea
(桂花烏龍茶)

BUSINESS

Tea Snacks

We offer a variety of tea snacks, which are categorised as either: (i) candied fruits, roasted snacks and tea powder; or (ii) pastries and candies. The following table sets forth the revenue from the sales of our two categories of tea snacks during the Track Record Period:

	Year ended 31 December						Three months ended 31 March			
	2008		2009		2010		2010		2011	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Revenue contributed from:										
Candied fruits, roasted snacks and tea powder	38,249	35.9%	34,226	29.4%	47,094	23.4%	10,857	23.4%	19,307	26.9%
Pastries and candies	68,388	64.1%	82,339	70.6%	153,692	76.6%	35,475	76.6%	52,458	73.1%
Total	<u>106,637</u>	<u>100.0%</u>	<u>116,565</u>	<u>100.0%</u>	<u>200,786</u>	<u>100.0%</u>	<u>46,332</u>	<u>100.0%</u>	<u>71,765</u>	<u>100.0%</u>

(Unaudited)

Candied Fruits, Roasted Snacks and Tea Powder

Our candied fruits and roasted snacks are typically produced with various tea leaves as an ingredient to create different tea flavours and aroma in these snacks. Our tea powder is typically produced by grinding different tea leaves into tea powder of different flavours. Depending on the packaging and size of a particular tea snack, the prices of candied fruits, roasted snacks and tea powder generally range from RMB17.5 to RMB291.7 per unit/kilogram. Currently, we offer over 80 varieties of such tea snacks which can generally be preserved up to 12 months. Photographs of some of our best-selling candied fruits and roasted snacks are set out below:



Green tea
honey pomelo
(綠茶蜜柚)



Black tea cranberry
(紅茶蔓越莓)



Tenfu mini pie
(天福巧果)

BUSINESS

Pastries and Candies

Our pastries and candies are typically infused with the flavours of green tea, black tea, Oolong tea and pu'er tea. Depending on the packaging and size of a particular tea snack, the prices of pastries and candies generally range from RMB37.5 to RMB727.3 per unit. Currently, we offer over 80 varieties of such tea snacks which can generally be preserved up to 12 months. Photographs of some of our best-selling pastries and candies are set out below:



Jin Xuan Oolong tea
pineapple cake
(金萱烏龍鳳梨酥)



Green tea
mini crispy
(綠茶巧葉酥)



Tieguanyin
tea candy
(鐵觀音茶糖)



Green tea
throat drops
(綠茶爽喉糖)

Tea Ware

We offer a variety of tea ware and tea making utensils, including Zisha, porcelain, pottery, tea tray and electric teapot, which are mainly sold under our Tenfu brand or the Lu Yu brand which is owned by Lu Yu. We also offer a “Master Crafters” series of tea ware which is designed and made by well-recognised master tea crafters and bear their signatures and a small proportion of tea ware sold under other brands. Depending on the quality and composition of the tea ware, the prices generally range from RMB24 to RMB88,000 per unit. Currently, we offer over 390 varieties of tea ware under Tenfu, Lu Yu and other brands, and over 2,300 varieties of tea ware under the “Master Crafters” series. The following table sets forth the revenue from the sales of our tea ware under our Tenfu brand collection, the Lu Yu brand collection, the “Master Crafters” series and other brands, respectively, during the Track Record Period:

	Year ended 31 December						Three months ended 31 March			
	2008		2009		2010		2010		2011	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Revenue contributed from:										
Tenfu (天福) collection	19,824	34.9%	22,420	42.9%	41,595	30.9%	7,372	27.0%	13,828	27.7%
Lu Yu (陸羽) collection	10,362	18.2%	5,067	9.7%	22,387	16.6%	3,716	13.6%	8,036	16.1%
“Master Crafters” series	1,678	3.0%	1,482	2.8%	36,771	27.3%	2,927	10.7%	14,229	28.6%
Other brands	24,954	43.9%	23,330	44.6%	33,836	25.2%	13,306	48.7%	13,768	27.6%
Total	56,818	100.0%	52,299	100.0%	134,589	100.0%	27,321	100.0%	49,861	100.0%

BUSINESS

Photographs of some of our best-selling tea ware product series are set out below:



Tenfu series: Qian Kun Teapot Group
(天福系列：黑色乾坤壺組)



Yu Ru Yi Teapot Group
(靜園軒玉如意壺組)



Luyu series: Cha Xian teapot
(陸羽系列(陸羽茶仙單壺))



Jing Ding Electric pot
(天福京鼎電茶壺)



Jia Ming Personal cup
(天福佳茗隨身杯)




“Master Crafters” series:
Maple Teapot
(名家壺楓葉壺)

OUR BRANDS

Our brands

We offer a wide range of affordable to premium tea leaves, tea snacks and tea ware under our Tenfu (天福) brand, which are sold in our self-owned and designated third-party owned retail outlets and retail points. Our Tenfu brand is registered as trademarks under various classes in the PRC and Hong Kong and has been certified by the International Bureau of the World Intellectual Property Organisation as a registered international mark which is recognised by 27 other countries





worldwide. Our Tenfu trademark “” was also recognised as a “Well-known Trademark of the PRC” (中國馳名商標) by the Trademark Office of the State Administration for Industry and Commerce of the PRC (國家工商行政管理總局商標局) in 2005.

To capture customers who prefer to buy their tea products from hypermarkets, we acquired Xiamen Apex in January 2011 from certain connected persons of our Company. The core business of Xiamen Apex is the development, marketing and sale of a range of affordable to mid-end tea leaves under the Ten Sin (天心) and Danfeng (丹峰) brands and tea snacks under the Uncle Lee (安可李) brand through our concession points at hypermarkets owned and operated by Independent Third Parties throughout the PRC. From 2006, Xiamen Apex offered tea leaves under the Ten Sin (天心) brand, which is owned by our Chairman, Mr. Lee Rie-Ho. The registration of the Ten Sin trademark for tea leaves expired on 6 July 2004, and was not renewed after such expiration as it was

BUSINESS

not in use at the time. Since 2006, Xiamen Apex used the Ten Sin brand as an unregistered mark with the permission of Mr. Lee Rie-Ho. As part of our branding strategy and to leverage brand awareness of our Tenfu brand, we are planning to replace the usage of the Ten Sin brand with our Tenfu Ten Xin (天福天心) brand for the sale of tea leaves at concession points at hypermarkets. We are currently phasing out the usage of the Ten Sin brand and we have applied for the registration of the Tenfu Ten Xin (天福天心) trademark under various classes in November and December 2010, respectively. Our PRC trademark registration agent has confirmed that these trademarks had passed the preliminary examination of Trademark Office and are due for publication on 13 September 2011. As advised by our PRC legal advisers, pursuant to Trademark Law of the PRC, if no opposition is filed within three months from the date of such publication, the trademark applications will be approved for registration. In addition, 廈門天福茶業有限公司 (Xiamen Tenfu Tea Industry Co., Ltd.*) (“**Xiamen Tenfu**”), the registered owner of the Danfeng trademark, has licensed the Danfeng trademark to Xiamen Apex since 2010 and the registration of the Danfeng trademark is in the process of being transferred to us by Xiamen Tenfu. For further details relating to the registration or application details of the Tenfu, Tenfu Ten Xin, Ten Sin, Danfeng and Uncle Lee trademarks and the relevant licensing arrangements, please see the section entitled “Statutory and General Information – Intellectual property rights of the Group” in this prospectus.

The following table sets forth a summary of the types of products offered under each of our brands:

Brand	Brand logos	Sales channels	Type of products offered
Tenfu (天福)		<ul style="list-style-type: none"> • Self-owned retail outlets and retail points • Third-party owned retail outlets and retail points 	<ul style="list-style-type: none"> • Tea leaves • Tea snacks • Tea ware
Tenfu Ten Xin (天福天心) (to replace the previous Ten Sin (天心) brand)		Through concession points at hypermarkets	Tea leaves
Uncle Lee (安可李)		Through concession points at hypermarkets	Tea snacks
Danfeng (丹峰)		Through concession points at hypermarkets	Tea leaves

BUSINESS

We sell tea ware under the Lu Yu (陸羽) brand, which are sold exclusively in the PRC through our self-owned and third-party owned retail outlets and retail points. Lu Yu is wholly owned by Tensin Investment, which is held by Mr. Lee Shih-Wei, Mr. Lee Chia Ling and Mr. Lee Rie-Ho, our Directors and Controlling Shareholders, as to approximately 31.3%, 10% and 6.3%, respectively. For further details relating to our transactions with Lu Yu, please see the sections entitled “Connected Transactions” and “Relationship with Controlling Shareholders” in this prospectus.

We also sell tea leaves under the Ten Ren (天仁) brand which are supplied to us in pre-packaged and manufactured form by Ten Ren, at some of our self-owned and third-party owned retail outlets and retail points. We have entered into the Strategic Alliance Agreement with Ten Ren on 8 September 2011, pursuant to which Ten Ren appointed our Company as the exclusive distributor of Ten Ren’s products in the PRC and we appointed Ten Ren to be the exclusive distributor of our products in Taiwan. Prior to 8 September 2011, we had not entered into any written exclusive distribution agreement with Ten Ren. As confirmed by our Directors, during the Track Record Period, we were the exclusive distributor of Ten Ren’s products in the PRC. Our Directors are of the view that purchases of Ten Ren branded traditional Chinese tea leaves during the Track Record Period were on normal commercial terms.

The following table sets forth the revenue generated from sales through our self-owned retail outlets and retail points and our concession points at hypermarkets and to third-party retailers of products under each of the Tenfu, Ten Sin, Uncle Lee, Danfeng, Lu Yu and Ten Ren brands respectively, during the Track Record Period:

	Year ended 31 December						Three months ended 31 March	
	2008		2009		2010		2011	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
Revenue contributed from:								
Tenfu	464,438	95.1%	571,118	96.3%	1,043,032	94.9%	370,260	90.6%
Ten Sin ⁽¹⁾	–	–	–	–	–	–	16,752	4.1%
Uncle Lee ⁽¹⁾	–	–	–	–	–	–	542	0.1%
Danfeng ⁽¹⁾	–	–	–	–	–	–	1,081	0.3%
Lu Yu	10,302	2.1%	5,052	0.9%	22,331	2.0%	8,018	2.0%
Ten Ren	13,886	2.8%	16,294	2.8%	34,470	3.1%	11,908	2.9%
Total	488,626	100.0%	592,464	100.0%	1,099,833	100.0%	408,561	100.0%

Note:

- (1) We completed the acquisition of Xiamen Apex in January 2011 from certain connected persons of our Company. Xiamen Apex’s core business includes the development, marketing and sale through our concession points at hypermarkets of tea leaves and tea snacks under the Ten Sin, Danfeng and Uncle Lee brands. Sales of Xiamen Apex are recognised in our consolidated statements of comprehensive income from the date of completion of our acquisition of Xiamen Apex on 10 January 2011.

OVERVIEW OF OUR SALES MODEL

As of 31 March 2011, our tea products were sold in 1,062 retail outlets and retail points across the PRC (including stores with shopfronts at street level and in shopping malls and concession counters in department stores and hypermarkets), comprising 453 self-owned and 609 third-party owned retail outlets and retail points. All of the retail outlets and retail points operated by us and third-party retailers bear the Tenfu (天福) name and exclusively sell our tea products and products authorised by us. To further capture different segments of the market, we completed the acquisition of Xiamen Apex from certain connected persons of our Company in January 2011. Xiamen Apex's core business involves the development, marketing and sale through concession points at hypermarkets operated by Independent Third Parties in the PRC of tea leaves and tea snacks under the Tenfu Ten Xin, Danfeng and Uncle Lee brands. At our self-owned retail outlets, we sell our tea products directly to consumers. At our self-owned retail points including concession counters at department stores and hypermarkets, our tea products are sold under the Tenfu brand on a concession basis and the department stores and hypermarkets receive a fee for such sales. We sell our tea products to third-party retailers on a wholesale basis who, in turn, sell our tea products to consumers through their retail outlets and retail points at a retail price which is generally higher than their wholesale purchase cost. For further details relating to our relationship with third-party retailers, please see the paragraph headed "Relationship With Our Third-Party Retailers" in this prospectus.

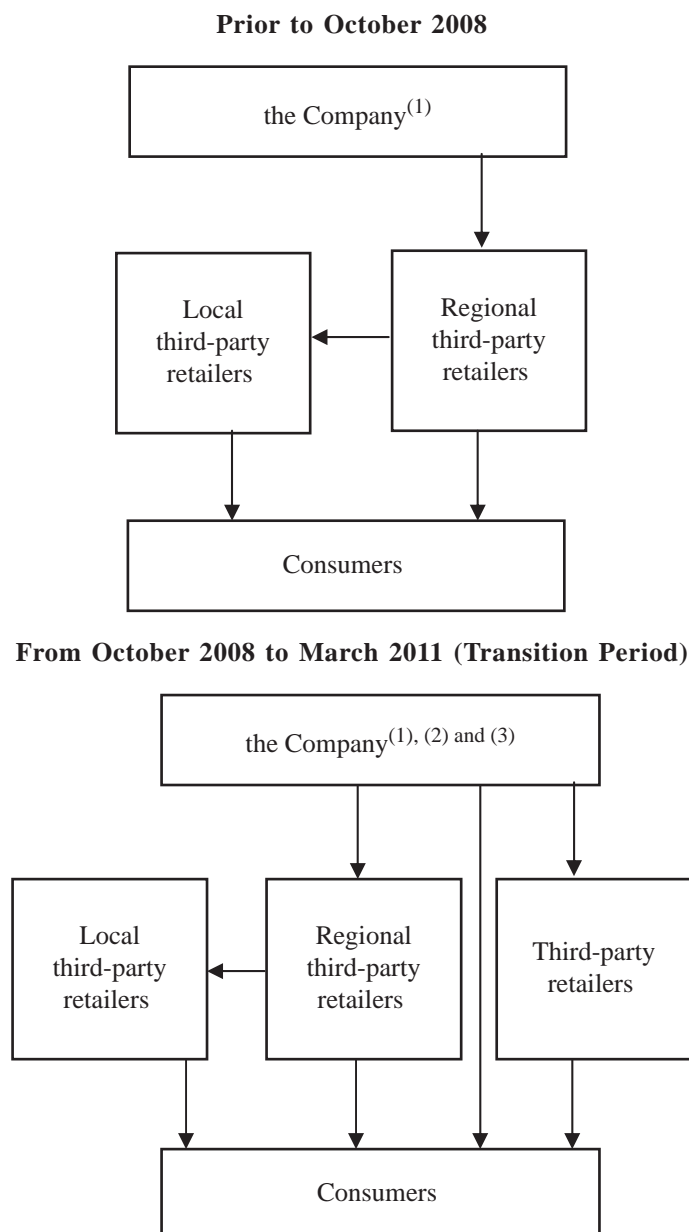
Prior to the implementation of Measures for the Administration on Foreign Investment in Commercial Fields* (外商投資商業領域管理辦法) which became effective as of 1 June 2004, under PRC laws and regulations, foreign investors were not permitted to operate retail businesses in the PRC, with the exception of a few cities which have been implementing trial measures since 1992. In practice, as the power to examine and approve establishment of foreign-invested commercial enterprises rested with MOFCOM prior to 2008, it was difficult to obtain an approval for the establishment of self-owned retail outlets prior to 2008. In addition, our Directors believed that, as some of our Shareholders were Taiwan residents, and their ability to invest in the tea retail business in the PRC was unclear under the then Taiwan/Mainland Investment Regulations, we did not expand into the tea retail business in the PRC prior to 2008. As a result, all of our retail outlets and retail points were initially operated and owned by third-party retailers, some of whom have since been recruited by our Group as sales personnel due to their local expertise.

As a result of the opening up of the retail market of the PRC to foreign investors and a clearer interpretation of the Taiwan/Mainland Investment Regulations, we began to set up our retail outlets in the PRC in October 2008 and commenced the restructuring of our retail sales network. Please see the section entitled "Regulatory Overview – Regulations on Foreign Investment in Commercial Field" in this prospectus for further descriptions of the restrictions on operation of retail business in the PRC by foreign investors. Prior to October 2008 and with a view to achieving greater operational and distribution efficiency, we divided the PRC into different regions with each region represented by regional third-party retailers. The regional third-party retailers operated their own retail outlets and retail points. Most of them also distributed our products to local third-party retailers in their regions. To better manage our business expansion, we acquired some of the third-party owned retail outlets and retail points in stages and set up our own PRC sales subsidiaries to take over the function of the regional retailers in the distribution to local third-party retailers. Our PRC sales subsidiaries operated as our management hubs in the different regions for the implementation of our sales strategy and policy and directly co-ordinate with our self-owned and third-party owned retail outlets and retail points. The restructuring has enabled us to better control

BUSINESS

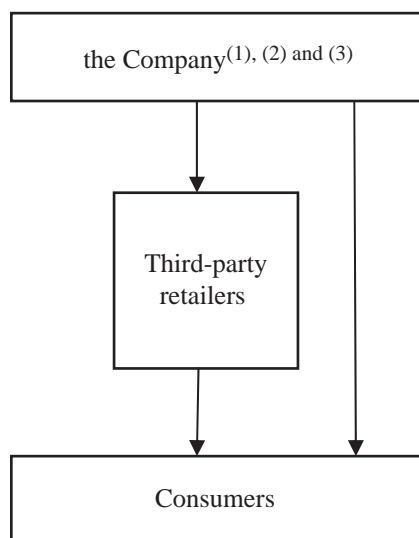
and manage our sales network, better monitor market trends and further optimize product development, marketing strategy and inventory management. By March 2011, we completed our retail network restructuring. Since then, we have sold our products at self-owned retail outlets and retail points, through our PRC sales subsidiaries to third-party retailers on a wholesale basis, and our concession points at hypermarkets owned and operated by Independent Third Parties. During the transition period between October 2008 and March 2011 when our sales network was being restructured, we sold our products at self-owned retail outlets and retail points through our PRC sales subsidiaries to third-party retailers on a wholesale basis and in some regions, the regional third-party retailers continued to function as distributors of our products to the local third-party retailers. After our acquisition of Xiamen Apex in January 2011, we began to sell our products through our concession points at hypermarkets owned and operated by Independent Third Parties. For further details, please see the sections entitled “Our Strategies – Continue to Expand and Optimise Our Network of Retail Outlets and Retail Points” and “– Third-party owned retail outlets and retail points” in this prospectus.

The following chart illustrates the core sales channels for our products:



BUSINESS

Post-March 2011



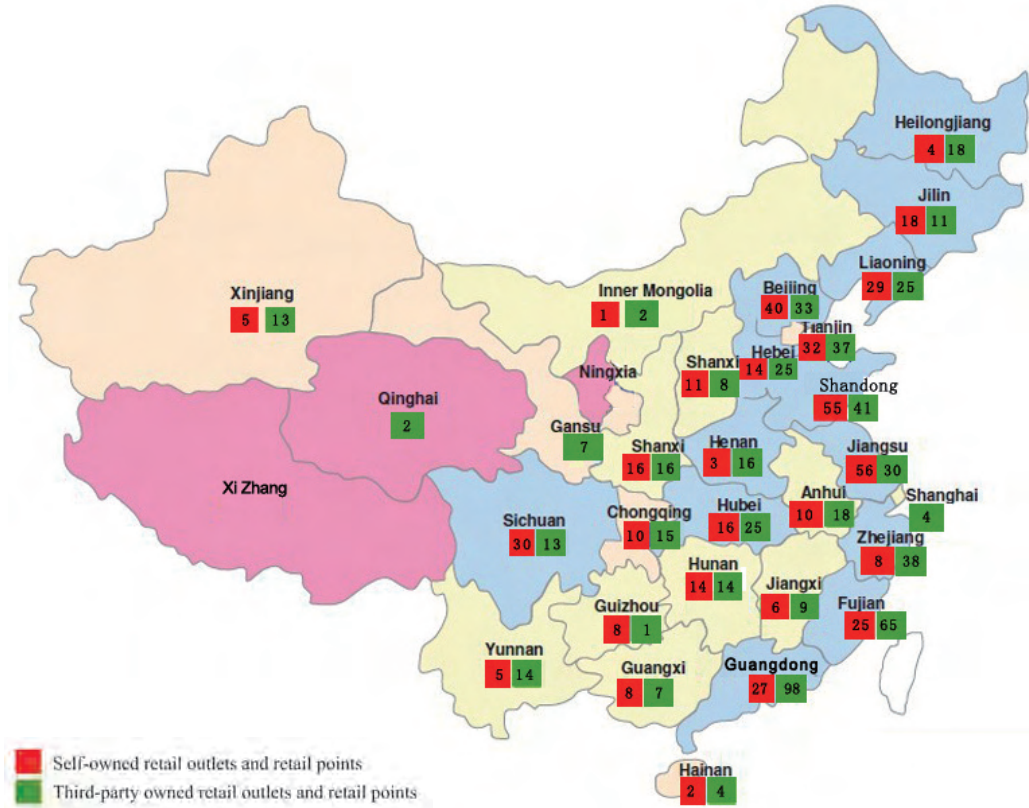
Notes:

- (1) Sales through retail outlets and retail points owned by third-party retailers. Our PRC sales subsidiary commenced its sales on a wholesale basis to third-party retailers in August 2009. After completion of our retail network restructuring in March 2011, our PRC sales subsidiaries have taken over the function of all of the regional retailers in the distribution of our products to local third-party retailers. Prior to that, we supplied our products to the regional third-party retailers on a wholesale basis. In addition to the operation of their own retail outlets and retail points, most of the regional third-party retailers also distributed our products to local third-party retailers in their regions. After March 2011, we no longer categorise our third-party retailers into regional and local third-party retailers. For further details, please see the paragraphs headed "Overview of Our Sales Model" and "Third-party owned retail outlets and retail points" in this prospectus.
- (2) Sales through self-owned retail outlets and retail points. We operated our first self-owned retail outlet in October 2008.
- (3) Sales through our concession points at hypermarkets that are owned and operated by Independent Third Parties. We acquired Xiamen Apex in January 2011.

BUSINESS

OUR SALES NETWORK

The following map shows the locations of our self-owned and third-party owned retail outlets and retail points in 29 provinces, autonomous regions and municipalities in the PRC as of 31 March 2011:



BUSINESS

The following table sets forth the breakdown of self-owned and third-party owned retail outlets and retail points, respectively, by region in the PRC as of 31 March 2011:

Location	Number of self-owned retail outlets and retail points	Number of third-party owned retail outlets and retail points
Eastern Region ⁽¹⁾	160	205
Southern Region ⁽²⁾	70	164
Southwestern Region ⁽³⁾	53	43
Northeastern Region ⁽⁴⁾	51	54
Northern Region ⁽⁵⁾	98	105
Northwestern Region ⁽⁶⁾	21	38
Total	453	609

Notes:

- (1) Eastern Region covers Shanghai, Jiangsu, Zhejiang, Anhui, Shandong, Jiangxi and Fujian
- (2) Southern Region covers Hubei, Hunan, Henan, Guangdong, Guangxi and Hainan
- (3) Southwestern Region covers Sichuan, Guizhou, Yunnan and Chongqing
- (4) Northeastern Region covers Heilongjiang, Jilin and Liaoning
- (5) Northern Region covers Beijing, Tianjin, Hebei, Shanxi and Inner Mongolia
- (6) Northwestern Region covers Shaanxi, Gansu, Qinghai and Xinjiang

As of 31 March 2011, Xiamen Apex sold the Ten Sin and Danfeng branded traditional Chinese tea leaves and the Uncle Lee branded tea snacks through our concession points at 164 hypermarkets which are owned and operated by Independent Third Parties. These hypermarkets are located in 19 provinces, autonomous regions and municipalities in the PRC.

BUSINESS

The following table sets forth the number and movement in the number of self-owned and third-party owned retail outlets and retail points and hypermarkets which sold our products, respectively, during the Track Record Period:

	Year ended 31 December			Three months ended
	2008	2009	2010	31 March 2011
Number of self-owned retail outlets and retail points⁽¹⁾	6	75	406	453
Number of self-owned retail outlets ⁽¹⁾	6	46	314	354
Number of self-owned retail points	0	29	92	99
Number of self-owned retail outlets and retail points which were added by our Group ⁽²⁾ and ⁽³⁾	1	70	334	51
Number of self-owned retail outlets and retail points which were closed	0	1	3	4
% of total revenue from sales through self-owned retail outlets and retail points ⁽⁶⁾	6.1%	7.8%	61.8%	61.3%
Number of third-party owned retail outlets and retail points⁽⁴⁾	870	837	636	609
Number of third-party owned retail outlets	783	776	618	599
Number of third-party owned retail points	87	61	18	10
Number of third-party owned retail outlets and retail points which were added by our third-party retailers	130	142	112	29
Number of third-party owned retail outlets and retail points which were closed	17	129	117	56
Number of third-party owned retail outlets and retail points which were acquired by our Group	1	46	196	–
% of total revenue from sales through third-party owned retail outlets and retail points ⁽⁶⁾	84.2%	81.3%	32.0%	28.3%

BUSINESS

	Year ended 31 December			Three months ended 31 March 2011
	2008	2009	2010	
Number of hypermarkets which sold our Ten Sin, Uncle Lee and Danfeng branded tea products⁽⁵⁾ . . .	124	139	150	164
Number of newly added hypermarkets which sold the Ten Sin, Uncle Lee and Danfeng branded tea products	33	25	25	14
Number of hypermarkets which ceased to sell the Ten Sin, Uncle Lee and Danfeng branded tea products	3	10	14	0
% of total revenue from sales through our concession points at hypermarkets which sold the Ten Sin, Uncle Lee and Danfeng branded tea products ⁽⁶⁾	n/a	n/a	n/a	5.4%

Notes:

- (1) To provide better services to visitors to our sightseeing facilities, prior to 2008, we commenced the operation of five outlets at our sightseeing facilities for the sale of tea products to visitors. These outlets have been included in the number of our total self-owned retail outlets.
- (2) These retail outlets and retail points include 1, 46, 196 and three retail outlets and retail points which were acquired by our Group in the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, respectively. The aggregate costs of the acquisition of these retail outlets and retail points incurred by our Group were approximately RMB727,000, RMB7,827,000, RMB29,924,000 and RMB16,575,000 for the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, respectively. The Group acquired these retail outlets and retail points by acquiring (a) the entire equity interest in the various relevant retail outlets and retail points, or (b) the relevant assets, fittings and inventory of the retail outlets and retail points. For the acquisition of equity interest in 39 retail outlets and retail points, the consideration was determined by reference to the then net asset value of the relevant retail outlet point as determined by an independent appraiser. For the acquisition of assets, fittings and inventory of a total of 207 retail outlets and retail points from a total of 42 third parties, the consideration was determined based on arms length negotiations between our Group and the relevant sellers with reference to the value of the inventory, the then present value of fixed assets and in some cases, the cost of renovation of each of these retail outlets and retail points. The cost of our acquisition of the one retail outlet in 2008 was higher than the average acquisition cost for retail outlets and retail points during the two years ended 31 December 2009 and 2010, respectively, because the retail outlet that we acquired in 2008 was of a larger store area with more assets, fittings and inventories, for which we paid a correspondingly higher purchase price. Most of the retail outlets and retail points that we acquired in 2009 and 2010 were small-to-medium in size in terms of store area assets, fitting and inventories, for which, on average, we incurred a smaller acquisition cost.

BUSINESS

- (3) We did not operate any self-owned retail outlet or retail point prior to October 2008. For the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, we established nil, 24, 138 and 48 retail outlets and retail points, respectively. The aggregate costs for the establishment of our self-owned retail outlets and retail points were approximately RMB1,894,639, RMB21,256,503 and RMB7,721,873 for the two years ended 31 December 2009 and 2010 and the three months ended 31 March 2011, respectively. The average store area of the self-owned retail outlets and retail points established by the Group in 2009 was approximately 66 square meters while the average store area for those established in 2010 was approximately 116 square meters. Therefore, the average establishment cost of our self-owned retail outlets and retail points for the year ended 31 December 2010 was higher than that for the year ended 31 December 2009.
- (4) As of 31 May 2011, all of these retail outlets and retail points were owned by Independent Third Parties. Prior to that, some of the third-party retailers were or were owned by former or existing employees of our Group. For further details of our third-party retailers which were or were owned by our former or existing employees, please see the section entitled “Relationship With Our Third-Party Retailers” in this prospectus. During the Track Record Period, we supplied our products to the regional third-party retailers on a wholesale basis. The regional third-party retailers operated their own retail outlets and retail points. Most of them also distributed our products to local third-party retailers in their regions. Since August 2009, our PRC sales subsidiaries sold our products to third-party retailers on a wholesale basis. For further details, please see the paragraphs headed “Overview of Our Sales Model” and “Third-party owned retail outlets and retail points” in this prospectus.
- (5) These supermarkets are owned and operated by Independent Third Parties. We completed the acquisition of Xiamen Apex in January 2011 from certain connected persons of our Company. Xiamen Apex’s core business involves the development, marketing and sale through our concession points at supermarkets of tea leaves and tea snacks under the Ten Sin, Danfeng and Uncle Lee brands. The number of supermarkets set out above represents the actual number of supermarkets which sold the Ten Sin, Danfeng and Uncle Lee branded products as of the relevant dates.
- (6) During the Track Record Period, we also derived revenue from other sales and operations. For further details, please see the section entitled “Financial Information – Description of Principal Income Statement Items – Revenue” in this prospectus.

Each of our third-party retailers has confirmed that it is an Independent Third Party.

Self-owned retail outlets

As of 31 March 2011, we had 354 self-owned retail outlets that bear the Tenfu name with shopfronts at street level or in shopping malls, where complimentary tea tasting and tea making and tea selection guidance are offered to customers. We believe that providing a personalised shopping experience to customers enhances their loyalty in Tenfu’s tea.

For our self-owned retail outlets, we typically enter into leases with the landlords under which a fixed rental is payable. We directly collect the sales proceeds at our self-owned retail outlets.

Self-owned retail points

As of 31 March 2011, we had a network of 99 self-owned retail points that bear the Tenfu name, most of which are located within major supermarkets or department stores in major cities in the PRC. Our self-owned retail points are operated on a concession basis with the relevant department stores or supermarkets. Selling our products through these retail points enables us to increase the exposure of our brands as well as benefit from the well-established customer traffic, reputation and marketing campaigns of the department stores and supermarkets where our counters are located. Leveraging on our reputable brands and established relationship with department store operators with experience in choice of high customer traffic flow locations, we have more opportunities to cooperate with these operators and expand our market footprints and increase consumer awareness of our brands.

BUSINESS

Under our concession agreements with department stores and hypermarkets which sell our tea products on a concession basis, they charge us a concession fee calculated as a percentage (generally ranging from 13% to 32%) of the sale proceeds from the concession counters on a monthly basis. In addition to such concession fee payable, as part of our payment obligation under the relevant written concession agreements, some department stores and hypermarkets also require the payment of a minimum concession fee if the sale proceeds from the concession counters do not meet the agreed minimum target. The concession agreements we enter into are generally with short term ranging approximately from five to 13 months. We are usually required to follow the guidance and requirement of the department store on layout and operation of the concession counters. We seek to maintain a consistent nationwide brand image by incorporating the Tenfu inspirations and designs within the layout of the counters. We are responsible for the employment of the sales staff for our concession counters.

The forms of the concession agreements are prepared and provided by the relevant department stores and hypermarkets and the specific terms of the respective concession agreements vary from one department store and hypermarkets to another and from location to location. The salient terms of the concession agreements include the duration, the premises, sales management, concession fee and settlement method and personnel and promotion management.

Third-party owned retail outlets and retail points

We engage third-party retailers as a key part of our sales network. This strategy enables us to increase the exposure of our brands and benefit from increased revenue without having to incur significant capital cost. It also enables us to rapidly penetrate into different regions in the PRC. We sell our tea products to these third-party retailers on a wholesale basis. They in turn sell our tea products to consumers through their retail outlets and retail points at a retail price which is generally higher than their wholesale purchase cost. All of the retail outlets and retail points operated by third-party retailers bear the Tenfu (天福) name and exclusively sell our tea products and products authorised by us.

Prior to October 2008 and with a view to achieving greater operational and distribution efficiency, we divided the PRC into different regions with each region represented by regional third-party retailers. As of 31 December 2008, 2009 and 2010 and 31 March 2011, we had 50, 46, four and three regional third-party retailers, respectively. The regional third-party retailers operated their own retail outlets and retail points. Most of them also distributed our products to local third-party retailers in their regions. By March 2011, we completed our retail network restructuring. Since then, we have sold our products at self-owned retail outlets and retail points, through our PRC sales subsidiaries to third-party retailers on a wholesale basis and through our concession points at hypermarkets owned and operated by Independent Third Parties. During the transition period between October 2008 and March 2011 when our sales network was being restructured, we sold our products at self-owned retail outlets and retail points and through our PRC sales subsidiaries to third-party retailers, and in some regions, the regional retailers continued to distribute our products to the local retailers. As of 31 December 2008, 2009 and 2010 and 31 March 2011, we had zero, two, 75 and 83 third-party retailers, respectively, to whom we sold our products on a wholesale basis through our PRC sales subsidiaries.

BUSINESS

The following table sets forth the revenue generated from (i) sales at our self-owned retail outlets and retail points, (ii) sales to regional third-party retailers and (iii) sales by our PRC sales subsidiaries to third-party retailers for the three years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011.

	Year ended 31 December						Three months ended 31 March	
	2008		2009		2010		2011	
	<i>RMB</i>	<i>% of total Revenue</i>	<i>RMB</i>	<i>% of total Revenue</i>	<i>RMB</i>	<i>% of total Revenue</i>	<i>RMB</i>	<i>% of total Revenue</i>
Sales at self-owned retail outlets and retail points ⁽¹⁾	34,718,752	6.1%	54,037,217	7.8%	771,013,103	61.8%	306,492,439 ⁽³⁾	66.7%
Sales to regional third-party retailers ⁽²⁾	480,540,147	84.2%	557,516,881	80.5%	132,841,031	10.7%	2,968,353	0.7%
Sales by our PRC sales subsidiaries to third-party retailers	-	0.0%	5,721,222	0.8%	266,676,574	21.4%	127,095,030	27.7%

Notes:

- (1) Prior to the retail network restructuring which commenced in October 2008, all of our sales were conducted through retail outlets and retail points owned by third-party retailers and our operation of five outlets at our sightseeing facilities for the sale of tea products to visitors.
- (2) During the Track Record Period, we supplied tea products to our regional third-party retailers on a wholesale basis. Our regional third-party retailers operated their own retail outlets and retail points. Most of them also distributed our products to local third-party retailers in their regions. We adopt a nationwide fixed wholesale price, which we apply when we supply our tea products to regional third-party retailers. We require our regional third-party retailers to apply the same pricing policy in their on-sale of our products to local third-party retailers in their regions. Our PRC sales subsidiaries also sold our products to third-party retailers on a wholesale basis where we also apply the nationwide fixed wholesale pricing policy.
- (3) For the three months ended 31 March 2011, sales at self-owned retail outlets and retail points included sales through concession points at hypermarkets, as a result of our acquisition of Xiamen Apex in January 2011.
- (4) In addition to the above, during the Track Record Period, we also derived revenue from other sales and operations. For further details, please see the section entitled “Financial Information – Description of Principal Income Statement Items – Revenue” in this prospectus.

BUSINESS

During the Track Record Period, a number of the regional third-party retailers were owned by former or existing employees of our Group. For further details, please refer to the section entitled “Relationship With Our Third-Party Retailers” in this prospectus. The following table sets forth the revenue generated from sales to our Group’s employee-owned regional retailers for the three years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011.

	Year ended 31 December						Three months ended 31 March	
	2008		2009		2010		2011	
	<i>RMB</i>	<i>% of total Revenue</i>	<i>RMB</i>	<i>% of total Revenue</i>	<i>RMB</i>	<i>% of total Revenue</i>	<i>RMB</i>	<i>% of total Revenue</i>
Revenue from sales to regional retailers that were or were owned by employees of our Group prior to 2008 ⁽¹⁾	63,344,991	11.1%	80,352,905	11.6%	34,697,420	2.7%	-	-
Revenue from sales to regional retailers that were or were owned by employees of our Group during the transition period ⁽²⁾	-	0.0%	22,143,200	3.2%	9,373,746	0.8%	-	-
Total revenue generated from sales to employee-owned regional retailers	<u>63,344,991</u>	11.1%	<u>102,496,105</u>	14.8%	<u>44,071,166</u>	3.5%	<u>-</u>	<u>-</u>

Notes:

- (1) The revenue from these regional retailers (with outlets that were owned by employees of our Group prior to 2008) was contributed by 北京永福瑞茶葉商貿有限公司 (Beijing Yongfurui Tea Trading Co., Ltd.*), 北京京城天福茶莊有限公司 (Beijing Jincheng Tenfu Tea Co., Ltd.*), and Mr. Zhang Zeyu (張澤宇). (a) 北京永福瑞茶葉商貿有限公司 (Beijing Yongfurui Tea Trading Co., Ltd.*) was one of top five customers of our Group during the track record period. The shareholder of 北京永福瑞茶葉商貿有限公司 (Beijing Yongfurui Tea Trading Co., Ltd.*), namely Mr. Zhang Zeyu (張澤宇), was an employee of our Group and resigned in March 2011. Accordingly, 北京永福瑞茶葉商貿有限公司 (Beijing Yongfurui Tea Trading Co., Ltd.*) ceased to be employee-owned thereafter. (b) Mr. Zhang Zeyu also operated as a regional retailer in Fuzhou City. In February 2010, Mr. Zhang Zeyu ceased to be a regional retailer in Fuzhou as the operations of our sales subsidiary commenced in Fuzhou. (c) Two of the shareholders of 北京京城天福茶莊有限公司 (Beijing Jincheng Tenfu Tea Co., Ltd.*) were employees of our Group. Beijing Jincheng Tenfu Tea Co., Ltd. was also one of our Group’s top five customers during the Track Record Period. It was acquired by our Group in February 2010 and ceased to be an employee-owned regional retailer thereafter.
- (2) We acquired the retail outlets and retail points operated by some of the regional retailers in stages during the transition period between October 2008 and March 2011. Before completion of the acquisition of all the retail outlets and retail points operated by them, they became employees of our Group and at the same time continued to own the retail outlets and retail points that had yet to be acquired by our Group. Each of their contributions to our Group was recorded as revenue generated from employee-owned regional third-party retailers from the relevant employment date to the date that our Group completed the acquisition of the retail outlets/points.

BUSINESS

We strategically select our third-party retailers based on the following criteria that are important for the development and expansion of our business, operation of our sales network and maintenance of our brand and image:

- local recognition and network;
- existing relationship with us;
- managerial capabilities;
- retail experience;
- capital resources; and
- ability to secure suitable retail outlet locations.

Neither we or our Shareholders have provided any funding to our third-party retailers, including any of our Group's employees who were also a third-party retailer, for the establishment and operation of their retail outlets or retail points.

To formalise our relationship with management and supervision of our third-party retailers, we began entering into written retail agreements with each of our third-party retailers in 2011. The retail agreements with our third-party retailers generally include the following principal terms:

Duration: three years

Product exclusivity: We require our third-party retailers to exclusively carry and sell our products or our authorised products under the relevant brand at their retail outlets.

Pricing: We require our third-party retailers to adhere to our pricing policy, including standardised nationwide retail prices for our products.

Retail outlets: We require our third-party retailers to adopt our standardised product display, outlet layout, staff uniform and marketing brochures to build a consistent brand image and management nationwide.

Minimum purchase requirement/performance targets: A minimum purchase requirement is imposed on each of our retailers (which is set at the retailer level rather than on a per retail outlet or retail point basis) which ranges from RMB15,000 to RMB6,607,000 per month and from RMB180,000 to RMB79,286,000 per year (depending on, among other things, the number of retail outlets and/or retail points operated by our retailers). If the minimum purchase requirement is not met during the relevant period by our third-party retailers, we have the right (but not obligation) to extend the period within which the target should be met, revise the minimum purchase requirement and/or provide necessary guidance to our third-party retailers. If a third-party retailer fails to meet the original or (if applicable) revised minimum purchase requirement within the applicable period, we have the right to terminate the written retail agreement and the business relationship with the relevant third-party retailer.

BUSINESS

Payment term: We require our third-party retailers to reconcile their calculation of payment of trade receivables with us within 20 days after the end of each yearly quarter, and thereafter, make payment to us within 30 days upon reconciliation. Pursuant to such payment term, we provide a credit term for up to a maximum of 140 days on the basis that purchases were made at the beginning of each yearly quarter and for a minimum of 50 days if purchases were made at the end of each yearly quarter.

Termination rights: Our third-party retailers are entitled to terminate the agreement with three months' written notice to us. We are entitled to terminate the agreement in certain circumstances, including breach of the agreement by a third-party retailer, damage to the images of our brands or failure to meet our sales performance targets or management standards.

Although we had not, prior to 2011, entered into any written contracts with our third-party retailers, we had in practice managed our third-party retailers on effectively the same terms as those described above in all material respects, save that different credit and payment terms applied prior to 2011. For further details relating to our historical credit and payment terms, please see the section entitled "Financial Information – Trade and Other Receivables" in this prospectus. We believe we were able to ensure their compliance because our third-party retailers rely on us for the supply our tea products and our permission to use our various brands to continue their operation of retail outlets and retail points. To better manage our network expansion and enhance our corporate governance in preparation for the Listing, in March 2011, we entered into termination agreements with eight retailers, who have been employed by the Group.

Commencing from May 2011, all of our third-party retailers are independent third parties. Prior to that, some of our retailers were our past or existing employees of the Group. For further details relating to our retailers who were our past employees, please see the section entitled "Relationship With Our Third-Party Retailers" in this prospectus. Apart from the third-party retailers who were also our Group's employees, none of the other third-party retailers has any past or present relationship with our Group, shareholders, Directors, members of our senior management and their respective associates.

Management of Our Sales and Distribution Network

We believe that effective management of our sales and distribution network is important to our success. Our head sales office for our Tenfu brand is located in Xiamen, whereas our head sales office for our Tenfu Ten Xin brand, Uncle Lee and Danfeng brands are located in Shanghai. Our head sales offices are responsible for the formulation of our overall sales strategy and pricing policy, planning and oversight of our sales operations, coordination of sales efforts among different regions and overall management of our sales and distribution network. We have also established 25 management sales offices for our Tenfu brand and six management sales offices for our Tenfu Ten Xin, Uncle Lee and Danfeng brands (including the sales office in Shanghai which also operates as our head sales office) for the implementation of our sales strategy and policy at the regional level and directly coordinate with our retail outlets, retail points and concession points. As of 31 December 2010, our total sales workforce comprised 3,345 staff.

BUSINESS

We place strong emphasis on maintaining our brand recognition and a consistent nationwide brand image. All of our retail outlets, retail points and concession points, including our third-party owned retail outlets and retail points, are required to follow our pricing policies and adopt our design and layout, use our promotional equipment and marketing brochures which meet our requirements and specifications. Our regional sales team conducts on-site inspections on randomly selected retail outlets and retail points to ensure that our sales strategies and policies are applied. Our third-party retailers require our approval for the establishment of new retail outlets and retail points, the design and layout for their retail outlets and retail points and their marketing and promotional activities.

In our dedicated concession counters in department stores and hypermarkets and stand-alone shelves for Tenfu Ten Xin and Uncle Lee brand tea products at our concession points in hypermarkets that are owned and operated by Independent Third Parties, we are generally required to conform to the layout set forth by the operator of the department stores or hypermarkets. We seek to maintain a consistent nationwide brand image by incorporating the Tenfu inspirations and designs within the layout of dedicated counters and stand-alone shelves. By maintaining frequent contact with the stakeholders in our sales and distribution network, our regional sales offices can collect first-hand market and consumer information. This allows us to receive market feedback and respond more quickly to local market demand.

In order to avoid competition and cannibalisation between our self-owned retail outlets and retail points and third-party owned retail outlets and retail points located within the PRC or in the same district, city or region, we have adopted a balanced approach to manage and minimize the overlap between our self-owned retail outlets and retail points and third-party owned retail outlets and retail points. Prior to setting up a third-party owned retail outlet or retail point, the relevant third-party retailer will have to make an application with us by providing details of the retail outlet or retail point to be set up for our consideration. Such details include the area of the retail outlet or retail point, the estimated sales of the proposed retail outlet or retail point 12 months after commencement of business, the condition and location of the proposed retail outlet or retail point, and the stores within the parameter of 50 meters of the proposed retail outlet or retail point. In establishing a self-owned retail outlet or retail point or approving the set up of a third-party owned retail outlet or retail point in a particular district, city or region, we typically assess the local market conditions such as the location accessibility, estimated customer flow, cost of set-up and present coverage by the existing retail outlets and retail points and consider the desired sales coverage and growth objectives with respect to a particular district, city or region and strategically allocate the locations of retail outlet and retail points in order to optimise our sales network.

Pricing policy

We consider various factors whilst making decisions on our pricing, including market demand, consumer preference and prices of competing products. We price our tea products at price levels that we believe are affordable to a wide range of consumers. We adopt a uniform retail pricing policy which is implemented by our self-owned and third-party owned retail outlets and retail points and at our concession points at hypermarkets that are owned and operated by Independent Third Parties. We also set a nationwide fixed wholesale price, which we strictly apply when we supply our tea products to our third-party retailers. We usually sell our tea products to third-party retailers at a discounted wholesale price of approximately 40%-60% to the uniform retail price (i.e. the wholesale price represented approximately 60%-40% of the uniform retail price) to enable our third-party retailers to cover the costs and expenses incurred as well as to make profits in their distribution and sales of our tea products. Under our retail pricing policy, our self-owned and

BUSINESS

third-party owned retail outlets do not generally offer discounts on our products, except to our VIP customers who are eligible to a discount of 10% under our VIP programme and discounts offered on selected products during promotions or end-of-season sales. We do not make available our VIP programme at our concession points in hypermarkets that are owned and operated by Independent Third Parties which sell our tea products. We closely monitor sales and promotional activities held by all retail outlets to ensure our retail outlets are in compliance with our pricing policy. If a third-party retailer sells our tea products at a price which is below our fixed retail price or otherwise engages in actions that we believe may harm the reputation or sales of our tea products, we will cease to supply our tea products to such third-party retailer.

Sales return policies for consumers

We require all self-owned and third-party owned retail outlets and retail points and our concession points at hypermarkets that are owned and operated by Independent Third Parties to adopt a uniform sales return policy for consumers. Under our sales return policy for consumers, consumers can exchange defective products without charge.

Sales return policies for third-party retailers

We adopt a uniform sales return policy for our third-party retailers, whereby any products with a quality defect may be returned to us and exchanged. As our tea leaves and tea snacks products are perishable items, to ensure that we maintain the quality and freshness of our products, we typically issue a notice to our third-party retailers, on a bi-annual basis, specifying the seasonal tea leaves which they may return to us at the value of the wholesale price paid for such goods, which may then be applied in exchange for our tea products. In practice, we also allow our third-party retailers to return tea leaves throughout the year and the value of such returned tea leaves will be discounted based on our sole and absolute discretion. The third-party retailers will be permitted to apply the discounted value in exchange for our tea products. We do not allow any return of tea leaves which have expired.

We believe that there would not be material accumulation of inventory by our third-party retailers because, although we have a sales return policy for our third-party retailers as described above, we have not recorded any significant sales returns from our third-party retailers for defective products or for any other reasons during the Track Record Period. As our revenue derived during the Track Record Period are net of sales return from our third-party retailers, our growth in revenue during the Track Record Period already reflect sales return during such period. We also have a nationwide fixed wholesale price for our third-party retailers and we do not offer any discount to the wholesale price for bulk purchase by our third-party retailers. In addition, as our tea leaves products generally have a quality guarantee expiry period of one or two years and our tea snacks products are perishable, there is no incentive for the third-party retailers to accumulate inventory in a manner which is inconsistent with their commercial needs. The sales of our products, including green tea products and Oolong tea products, are generally subject to seasonality and generally higher sales of these products were recorded before Chinese New Year and Mid-Autumn Festival. Therefore, the over-stocking of these products which are within their quality guarantee period while out of their popular sales season could adversely affect the sales of our third-party retailers. Also, our third-party retailers are not allowed to return expired products to us and they will have to incur the loss should any over-stocking of inventory occur. Upon completion of the restructuring of our sales network, we have access to the inventory records of our third-party retailers to determine the demand for our tea products and whether our third-party retailers' inventories are sufficient to meet customers' needs. Based on our review of such inventory records, we were not aware of any material inventory accumulation by our third-party retailers during the Track Record Period.

BUSINESS

During the Track Record Period, we recorded no significant sales returns from consumers or third-party retailers for defective products or for any other reasons. We do not expect any significant sales returns from our consumers or third-party retailers in the near future. During the Track Record Period, no material claim has been brought against us for product defects or any other reason.

RELATIONSHIP WITH OUR THIRD-PARTY RETAILERS

Prior to the implementation of Measures for the Administration on Foreign Investment in Commercial Fields (外商投資商業領域管理辦法) which became effective as of 1 June 2004, under PRC laws and regulations, foreign investors were not permitted to operate retail businesses in the PRC, with the exception of a few cities which have been implementing trial measures since 1992. In practice, as the power to examine and approve the establishment of foreign-invested commercial enterprises rested with MOFCOM prior to 2008, it was difficult for us to obtain an approval for the establishment of self-owned retail outlets prior to 2008. In addition, prior to 2008, our Directors believed that as some of our Shareholders were Taiwan residents and their ability to invest in tea retail business in the PRC was unclear under the then Taiwan/Mainland Investment Regulations, we did not expand into the tea retail businesses in the PRC prior to that time. As a result, all of the retail outlets and retail points were initially operated and owned by third-party retailers, some of whom have been employed by our Group as sales personnel due to their local expertise. As a result of the opening up of the retail market of the PRC to foreign investors and a clearer interpretation of the Taiwan/Mainland Investment Regulations, we began to set up our own retail outlets and retail points in the PRC in 2008. We also commenced our retail network restructuring in 2008 by setting up our own PRC sales subsidiaries and acquiring some of the third-party owned retail outlets in stages while we continued to engage third-party retailers to operate retail outlets to expand our sales network, some of whom are employees of the Group.

As of 31 December 2010, third-party retailers who were also our employees owned 214 of the third-party owned retail outlets and retail points. In order for such persons to focus on either the third-party retail business or their employment with us, they have sold such retail outlets and retail points to us or Independent Third-Parties, or have otherwise ceased their operations. In addition, a number of employees who also owned a total of 107 third-party owned retail outlets and retail points have resigned from our Group to focus on their retail business. As of 1 April 2011, there remained 58 third-party retail outlets and retail points which were owned by our employees. Such employees have either closed their retail outlets and retail points or disposed of their retail outlets and retail points to Independent Third-Parties. Upon completion of such closure and disposal in 31 May 2011, none of our employees owns any of the third-party owned retail outlets or retail points. Our Directors are of the view that the transactions with our third-party retailers who were also our employees were conducted on normal commercial terms and the terms of the cooperation were the same as those with other third-party retailers in all material respects, including credit terms.

BUSINESS

CUSTOMERS

Top five customers

Our tea products are either sold to our third-party retailers on a wholesale basis or directly to consumers through our self-owned retail outlets and supermarkets.

During the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, aggregate sales to our top five customers were approximately RMB99 million, RMB132 million, RMB83 million and RMB16 million, respectively, representing approximately 17.3%, 19.1%, 6.7% and 3.4% of our total revenue for the respective periods. 北京京城天福茶莊有限公司 (Beijing Jingcheng Tenfu Tea Co., Ltd.*) and 北京永福瑞茶葉商貿有限公司 (Beijing Yongfurui Tea Trading Co., Ltd.), two employee-owned companies as well as Mr. Zhang Honghai (張紅海), a third-party retailer who was also an employee of our Group, were three of our top five customers during the Track Record Period.

The table below sets forth the revenue generated from 北京永福瑞茶葉商貿有限公司 (Beijing Yongfurui Tea Trading Co., Ltd*), 北京京城天福茶莊有限公司 (Beijing Jingcheng Tenfu Tea Co., Ltd.*) and Mr. Zhang Honghai (張紅海) for the three years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011.

	Year ended 31 December						Three months ended 31 March	
	2008		2009		2010		2011	
	RMB	% of total Revenue	RMB	% of total Revenue	RMB	% of total Revenue	RMB	% of total Revenue
Revenue from Beijing								
Yongfurui Tea Trading Co., Ltd.	15,788,000.00	2.8%	23,980,000.00	3.5%	28,211,000.00	2.3%	5,276,000.00	1.2%
Revenue from Beijing								
Jingcheng Tenfu Tea Co., Ltd.	34,894,000.00	6.1%	39,773,000.00	5.7%	N/A ⁽¹⁾	0.0%	N/A ⁽¹⁾	0.0%
Revenue generated from								
Mr. Zhang Honghai . . .	N/A ⁽²⁾	0.0%	18,267,000.00 ⁽²⁾	2.6%	N/A ⁽²⁾	0.0%	N/A ⁽²⁾	0.0%

Notes:

- (1) Beijing Jingcheng Tenfu Tea Co., Ltd. was acquired by us on 3 February 2010 and its contribution to our revenue in 2010 was not accounted for as one of our top five customers.
- (2) Mr. Zhang Honghai only accounted as one of our top five customers in 2009. Revenue contributed by Mr. Zhang Honghai as regional retailer of our Group in 2009 amounted to RMB18,267,000, of which only RMB4,049,347 was in respect of the period after which Mr. Zhang became an employee of our Group in September 2009.

BUSINESS

We believe that there would not be material accumulation of inventory by our third-party retailers, in particular, Beijing Yongfurui Tea Trading Co., Ltd., Beijing Jingcheng Tenfu Tea Co., Ltd. and Mr. Zhang Honghai, because having reviewed the audited financial statements of each of Beijing Yongfurui Tea Trading Co., Ltd. and Beijing Jingcheng Tenfu Tea Co., Ltd. in respect of the financial period within the Track Record Period, we did not note any unusual level of inventory build-up or turnover. In addition, as indicated by the table above which sets forth the revenue generated from Beijing Yongfurui Tea Trading Co., Ltd., Beijing Jingcheng Tenfu Tea Co., Ltd. and Mr. Zhang Honghai, their respective revenue contribution is not significant and our growth is therefore not driven by them. As described above under the paragraph headed “Sales return policy for third-party retailers” in this prospectus, because we adopt a nationwide fixed wholesale price for all of our third-party retailers and we do not offer any discount to the wholesale price for bulk purchase by our third-party retailers, there is no incentive for our third-party retailers to accumulate inventory in a manner which is inconsistent with their commercial needs and, over the Track Record Period, we did not encounter any significant sales return from its retailers, including Beijing Yongfurui Tea Trading Co., Ltd., Beijing Jingcheng Tenfu and Mr. Zhang Honghai. In addition, as our tea leaves products generally have a quality guarantee expiry period of one or two years and our tea snacks products are perishable, there is no incentive for the third-party retailers to accumulate inventory in a manner which is inconsistent with their commercial needs. The sales of our products, including green tea products and Oolong tea products, are generally subject to seasonality and generally higher sales of these products were recorded during the spring and autumn seasons. Therefore, the over-stocking of these products which are within their quality guarantee period while out of their popular sales season will adversely affect the sales of our third-party retailers. Also, our third-party retailers are not allowed to return expired products to us and they will have to incur the loss should any over-stocking of inventory occur.

Save as disclosed in the sections entitled “Relationship with Controlling Shareholders” and “Connected Transactions” in this prospectus and save for Xiamen Apex, which we have acquired from certain connected persons of our Company in January 2011, none of our Directors, our chief executive or any person who, to the knowledge of our Directors, owns more than 5% of our issued share capital or any of our subsidiaries, or any of their respective associates, had any interest in any of our top five customers during the Track Record Period.

Customer services

We maintain a customer service hotline to handle general service inquiries and ensure a timely response to all customer concerns. Our internal policy requires that all complaints be reported and resolved promptly. If a complaint is not resolved during the call, the customer service representative is required to timely report such complaint to the local sales office which covers the region where the complaining customer is located. During the Track Record Period, we did not incur any material costs in relation to these complaints and there had not been any material product recall.

PRODUCTION

Overview

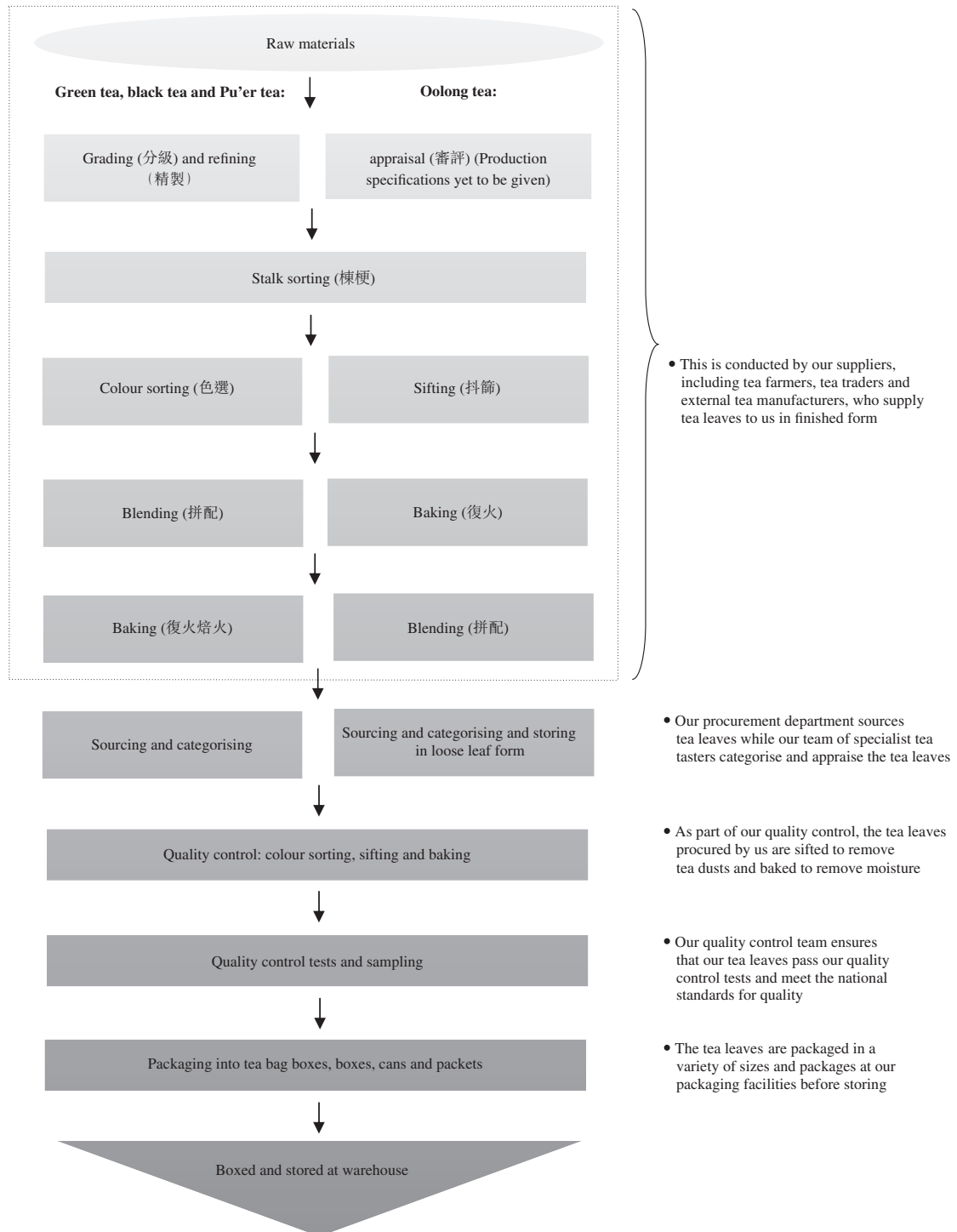
- *Tea Leaves:* We source, categorise and package the tea leaves which we sell and develop new product concepts according to consumer preferences, product trends and changes in demand. According to Paragraph 1, Article 35 of the Act Governing Relations between People of Taiwan Area and the PRC Area last amended in 2010, Taiwan residents are strictly prohibited from engaging in making investments in PRC in any of the restricted categories announced by the Taiwan competent authority, which includes tea planting, manufacturing and blending based upon a written explanation issued by the Taiwan competent authority. Therefore, Taiwan residents are prohibited from engaging or investing in tea leaves manufacturing business in the PRC. Given that a number of our controlling shareholders are Taiwan residents, we are prevented from engaging in the planting, manufacturing and blending of tea leaves. As a result, our specialist team of tea tasters source tea leaves in finished form from a network of tea farmers and tea manufacturers from renowned tea growing regions in the PRC, who supply processed and blended tea leaves to us according to our specifications. Blended tea leaves are categorised and appraised by our specialist tea tasters and packaged at our facilities, whilst our quality control team ensures that the tea leaves meet the consistency profile and quality standards we prescribe and meet the national standards for quality. During the Track Record Period, we purchased tea leaves from Samoa Company and its subsidiaries which are owned by Mr. Lee Chia Ling, a controlling shareholder and Director of our Company, to manufacture and blend our tea leaves according to our specifications. For further information relating to our engagement of the external manufacturing companies owned by Mr. Lee Chia Ling for the manufacturing and blending of tea leaves, please see the sections entitled “Relationship with our controlling shareholders” and “Connected transactions” in this prospectus.
- *Tea snacks:* Most of our tea snacks are developed by our research and development team. We procure raw materials, which mainly comprise sugar, butter, flour, fruits and nuts and, for some of our candied fruit products, semi-finished candied fruits, from our suppliers. Most of our tea snacks are manufactured by our production facilities. Our quality control team ensures that our tea snacks pass our quality control tests and meet the national standards for quality.
- *Tea ware:* Most of our tea ware, including Tenfu tea ware, are designed and manufactured by external manufacturers according to our specifications. We assemble most of our tea ware under our Tenfu brand and a small proportion of tea ware under other labels for packaging. We also sell tea ware under the Lu Yu (陸羽) brand, which is owned by Lu Yu, a connected person of our Company. Manufactured tea ware under the Lu Yu brand is supplied to us in finished form, and is imported from Taiwan or supplied to us by external manufacturing companies in the PRC designated by Lu Yu. Our quality control team inspects our tea ware and takes samples for quality control tests.

Production, Processing, Assembly and Packaging

Tea leaves

We procure tea leaves in finished form and our specialist tea tasters appraise and categorise our tea leaves. We then package the tea leaves at our packaging facilities.

The diagram below illustrates the processing steps for our tea leaves:



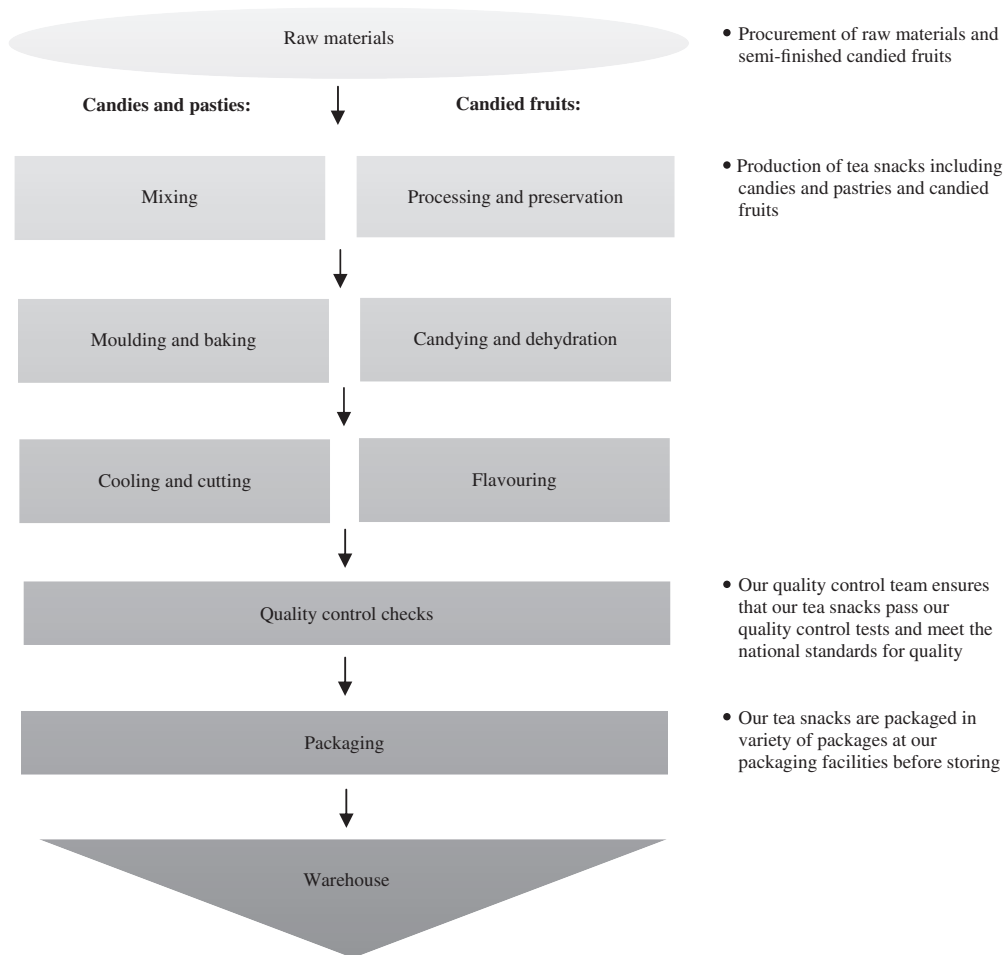
BUSINESS

We have two packaging facilities located in Fujian province and one packaging facility in Sichuan province for tea leaves. During the three years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, the total annual output of these facilities was 1,810, 2,040, 3,107 and 985 tonnes of tea leaves, respectively. During the same period, the utilisation rates of these facilities (calculated by dividing the total annual output by the designed annual output capacity) were approximately 46.2%, 45.3%, 69.1% and 87.6%, respectively.

Tea snacks

We procure mainly raw materials and, for some of our candied fruit products, semi-finished candied fruits, from our suppliers.

The diagram below illustrates the production steps for our candied fruits, pasties and roasted snacks:



We have two production facilities for tea snacks which are located in Fujian province and Sichuan province, respectively. During the three years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, the total annual output of our production facilities for tea snacks was 2,339, 2,277, 2,682 and 778 tonnes, respectively. During the same period, the utilisation rates of our production facilities for tea snacks (calculated by dividing the total annual output by the designed annual output capacity) were approximately 60.0%, 45.4%, 53.5% and 62.0%, respectively.

Tea ware

Tenfu brand, the “Master Crafters” series and other brands

Most of our tea ware, including Tenfu branded tea ware, are designed and manufactured by external manufacturers under our inspiration and specifications. We assemble most of our tea ware under our Tenfu brand and a small proportion of tea ware under other labels for packaging. We also offer a “Master Crafters” series of tea ware which are designed and made by well-recognised master tea crafters and packaged by us. We have a packaging facility in Fujian province. During the Track Record Period, we also operated a tea ware manufacturing facility in Zhangpu, Fujian province. The operations of the tea ware manufacturing facility commenced in August 2007. As tea ware manufacturing was not part of the core competence of our Group, we ceased operations of the tea ware manufacturing facilities in August 2008. We also sold the furniture, machinery and equipment and leased the production premises to a tea ware supplier of our Group, who is an Independent Third Party.

Lu Yu brand

We also sell tea ware under the Lu Yu (陸羽) brand, which is owned by Tensin Investment, a connected person of our Company. Manufactured tea ware under the Lu Yu brand are supplied to us by Tensin Investment in finished form, and is imported from Taiwan or supplied to us by external manufacturing companies in the PRC designated by Tensin Investment.

We perform regular equipment inspections and maintain inspection records to ensure our production lines perform at optimal levels. During the Track Record Period, we did not experience any material or prolonged disruption of our production due to equipment failure.

Product procurement, development and design

We believe that product procurement and development have been one of the keys to success and will continue to be an important factor in our future success and growth. We also believe that our product design, which focuses on enhancing the overall image and our brands and not only specific products, is an important part of our product development which contributes to our success.

Product procurement

As of 31 March 2011, we had a procurement department which comprised 35 staff procuring tea leaves, raw materials for tea snacks, tea ware and packing materials. Out of the 35 procurement staff, we have 19 specialist tea tasters who work under direct supervision of our Chairman, Mr. Lee Rie-Ho, to categorise and appraise the tea leaves sourced. Many of our specialist tea tasters are university or college graduates and are personally trained by our Chairman to categorise and appraise tea leaves. We have five senior specialist tea tasters who have over 10 years of experience in categorising and appraising tea leaves, two of whom are certified specialist tea tasters in the PRC.

Product development and design

Our product development process is market-oriented. We focus our product development efforts on improving our existing products as well as introducing new products, flavours and packaging to adapt to emerging market trends and tastes. Before we launch a new tea product, we usually undertake market testing to determine the popularity of the product.

BUSINESS

For our tea leaves, our procurement team and specialist of tea tasters seek to identify new flavours while categorising and appraising the tea leaves we sourced. Our specialist tea tasters also work with our senior management and marketing department to develop new product concepts through analysing consumer preferences, product trends and changes in demand and improve the range of our products offered under various collections, packaging, sizes and price range. Since our establishment, we have successfully developed a comprehensive range of products, including a range of affordable to premium tea leaves to cater for consumers with different purchasing power and spending preferences.

For our tea snacks, we have dedicated stand-alone research and development teams which comprised 24 staff as of 31 March 2011 for development of our candied fruits, roasted snacks and tea powder and our pastries and candies, respectively. Our research and development teams develop most of technique and production formula for our tea snacks and are focused on the art of blending and infusing tea flavours in our tea snacks. Since our establishment, we have successfully a wide range of tea snacks, most of which are infused with the flavour of tea leaves and a wide range of tea ware to complement the tea leaves we offer.

As of the Latest Practicable Date, we have developed four registered patents and one which we are applying for registration in relation to packaging design for our tea snacks, one registered patent for production technology for our tea snacks, one registered patent for design for our tea snacks, two registered patents for packaging design for our tea leaves and two registered patents for packaging design for our tea ware. In addition, we have also developed over 90 trademarks which we have successfully registered and 60 which we are applying for registration in relation to the sales and marketing of our tea products.

Ordering process

Our regional sales offices generally co-ordinate orders from our self-owned and third-party owned retail outlets and retail points and hypermarkets. Our third-party retailers typically place orders with our regional sales offices from time to time according to their demand or after the launch of new tea products. We fulfill some of the orders by our third-party retailers through reallocating existing stock from our self-owned retail outlets and retail points. Alternatively, our regional sales offices may co-ordinate with our headquarters to arrange delivery directly to such third-party retailers. Due to our established relationship with our third-party retailers and the experience of our sales teams, we are able to prepare sales forecasts to determine our production schedule. Our regional sales offices closely monitor product popularity and trends and maintain communication with our third-party retailers. We consolidate such information and prepare our sales forecast and production schedule on an annual basis. We also adjust our production schedule from time to time according to our management's judgement and work toward fulfilling additional orders in a timely manner.

Quality control

As of 31 July 2011, we had a quality control team comprising 27 staff to monitor and control each stage of our production process, from raw material procurement to production and delivery, to ensure the consistency and high quality of our tea products. To maintain our standard of quality, we inspect the raw materials visually as well as perform our own inspection of raw materials in accordance with relevant quality requirements promulgated by relevant government authorities for different raw materials. These quality reports usually contain various quantitative analyses, including the dust and moisture level of the raw materials, depending on the nature of the respective raw materials.

BUSINESS

For our tea leaves, we conduct sampling tests on each batch of tea leaves purchased from our suppliers in order to ensure that each batch of tea leaves we source from suppliers meet our quality requirement as well as the quality requirements promulgated by relevant PRC authorities. These tests include sensory analysis of the tea leaves including examination of colour, shape, taste and smell of the tea leaves, and examination of levels of impurity in the tea leaves and laboratory tests on the levels of agricultural chemicals content, moisture and ash using manual laboratory equipment and electronic machinery and other test procedures prescribed by the relevant PRC authorities. We also have a dedicated team of 19 tea tasters responsible for sourcing, categorising and controlling the graded quality of our tea leaves so that the tea leaves offer a consistency and thickness that meet the required flavour profiles of our branded traditional Chinese tea leaves. We also have quality control personnel to monitor the key steps of the production process, such as weighing, pulverisation and mixture, to ensure these steps are carried out accurately. At different stages of our production process, we also perform various quality inspection and testing procedures, including testing for impurity, moisture, dust and microbes, to remove defective products.

For our tea snacks, we conduct random sampling tests on each batch of raw materials and semi-finished products purchased from third parties for the production of our tea snacks. The test procedures for raw materials for our tea snacks include laboratory tests on the levels of protein, fat, sugar and microbes using manual laboratory and electronic machinery, which procedures either comply with Government regulations in terms of quality and safety or meet the quality standards set forth by the Company's quality control department. In addition, we conduct random sampling tests of our tea products to ensure our tea products have been sterilised in compliance with hygiene standards stipulated by the Fujian Provincial Bureau of Quality and Technical Supervision* (福建省質量技術監督局) and the Administration of Quality and Technical Supervision of Sichuan Province* (四川省質量技術監督局). We also conduct sample testing of our final products before and after packaging them for delivery to our distributors. Further, we adopt a set of strict legal requirements relating to packaging and labelling of our products.

We obtained ISO 22000:2005 food safety management system certification for our production process, which demonstrates that our production process meets recognised international standards of quality assurance. We also obtained the HACCP certification, which demonstrates that we have adequate preventative systems to identify potential food safety hazards.

We carry out quality control procedures in compliance with the Measures for the Administration of Food Production Permits* (食品生產許可管理辦法). We also conduct inspections on a sampling basis and we require our raw material and products to be certified by quality control inspection institutions, including private and government designated institutions. In accordance with the Measures for the Administration of Food Production Permits* (食品生產許可管理辦法), we have implemented a system whereby details of the entire production process for each batch of product, from raw materials to production, inventory, transportation, distributors, and finally to retail outlets, are recorded. This system is designed to ensure that we can trace any defective products and, if necessary, correct any defect on a timely basis.

RAW MATERIALS PROCUREMENT AND SUPPLIERS

We have three major operating segments: (a) tea leaves, (b) tea snacks and (c) tea ware. Further details on raw material procurement and our suppliers under each of these segments are set out below.

Tea leaves

As of 31 March 2011, we procured tea leaves in finished form from over 533 suppliers, including tea farmers, tea traders and external tea manufacturers. Our suppliers source the tea leaves supplied to us from some of the PRC's most renowned tea growing regions, including Fujian, Yunnan, Zhejiang, Jiangsu, Anhui, Guangxi and Sichuan provinces. Due to our established relationships with our suppliers, the size of our purchase orders and our credentials, we believe we have a strong bargaining position with such suppliers, who rely on us to provide them with a stable stream of income. We also procure tea leaves manufactured and blended according to our specifications from Samoa Group owned by Mr. Lee Chia Ling, a controlling shareholder and Director of our Company. During the three years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, our purchase of tea leaves from Samoa Company and its subsidiaries accounted for 8.7%, 18.3%, 14.4% and 19.0% of our total raw materials purchase, respectively. Further details relating to our relationship and transactions with manufacturing companies owned by Mr. Lee Chia Ling are set out under the sections entitled "Relationship with our controlling shareholders" and "Connected transactions" in this prospectus.

We generally do not enter into any long term purchase contracts for the procurement of tea leaves. We believe this is consistent with market practice. Set out below are the typical key terms upon which we procure tea leaves from our tea leaves suppliers (other than from Samoa Group):

Purchase order details: names of parties, description of goods, volume, unit price, total purchase price and date of delivery;

Delivery: the supplier is responsible for delivering the tea leaves to our Group and the payment of associated costs;

Quality and acceptance: our Group only accepts tea leaves which meet the quality standards of the samples provided by our supplier and will notify our supplier of the quantity of tea leaves accepted within seven days upon delivery;

Credit/payment terms: payment of 50% of the purchase price upon delivery and acceptance and the remaining balance of 50% of the purchase price within 50 days thereafter;

Delivery time: three to five days. If the tea leaves are not delivered within the agreed delivery time, the purchase order is automatically terminated without penalty; and

Special terms: for the procurement of Long Jing green tea from suppliers in Xihu (西湖), our suppliers are required to package the Long Jing green tea at Xihu in Hangzhou; for the procurement of Rock tea (大紅袍) from the Wu Yi mountains, the tea leaves supplied are required to pass the quality control tests of our Group relating to level of moisture and dust contained in the tea leaves.

BUSINESS

Tea snacks

The key raw materials for our tea snacks include flour, sugar, butter, fruits and nuts. We have over 150 suppliers of such raw materials, which are commodities that can be easily sourced from alternative suppliers at competitive prices. During the three years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, our purchases of raw materials for the production of our pastries and candies were approximately RMB18.35 million, RMB21.72 million, RMB31.64 million and RMB7.03 million, respectively, which amounted to approximately 26.8%, 26.4%, 20.6% and 13.4% of revenue generated from sales of our pastries and candies, respectively.

As most of the raw materials for our tea snacks are commodities and readily available, we do not enter into any long-term purchase contracts for their procurement. We believe this is consistent with market practice.

Tea ware

We purchase tea pots, tea cups and other tea making utensils which are sold under our Tenfu brand, our “Master Crafters” series and our other brands from approximately 40 external manufacturers. We also sell tea ware under the Lu Yu (陸羽) brand, which is owned by Tensin Investment, a connected person of our Company. Manufactured tea ware under the Lu Yu brand is imported by us from Taiwan, or supplied to us by external manufacturing companies in the PRC which are engaged by Tensin Investment. Further details relating to our relationship and transactions with Tensin Investment are set out under the section entitled “Connected Transactions” in this prospectus.

We generally do not enter into any long term purchase agreements for tea ware and none of our tea ware suppliers are required to supply to us on an exclusive basis. The terms upon which we procure tea ware with different tea ware suppliers vary. Set out below are the typical key terms upon which we procure tea ware from our tea ware suppliers:

Purchase order details: names of parties, description of goods, volume, unit price, total purchase price and date of delivery;

Delivery: the supplier is responsible for delivering the tea ware to our Group and payment of associated costs;

Quality and acceptance: our Group only accepts tea ware which meet the quality standards of the samples provided by our supplier;

Credit/payment terms: from 30 days to 45 days upon delivery;

Penalty for late delivery: 3% of the purchase price per day; and

Contract validity period: 7 days to 120 days.

BUSINESS

Top five suppliers

During the three years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, aggregate purchases from our five largest suppliers amounted to approximately RMB54.69 million, RMB96.35 million, RMB117.09 million and RMB30.5 million, respectively, representing approximately 17.37%, 24.75%, 21.01% and 16.94% of our total cost of sales, respectively. During the same period, 安溪天福茶葉有限公司 (Anxi Tenfu Tea Company Limited*) was our largest supplier and accounted for 8.3%, 13.7%, 10.4% and 8.1% of our total cost of sales, respectively. Anxi Tenfu Tea Company Limited is wholly owned by Samoa Company. During the three years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, total supplies from the Samoa Group accounted for 10.2%, 18.9%, 15.1% and 11.8% of our total cost of sales, respectively. Save as disclosed in the sections entitled “Relationship with Controlling Shareholders” and “Connected Transactions” in this prospectus, none of our Directors, our chief executive or any person who, to the knowledge of our Directors, owns more than 5% of our issued share capital or any of our subsidiaries, or any of their respective associates, had any interest in any of our top five suppliers during the Track Record Period.

Supply chain management

We select our suppliers carefully to ensure the quality of our raw materials and packaging materials. We maintain appraisal records for our suppliers and grade them on a declining scale according to the quality of material supplied, price, ability to meet our demand and punctuality of delivery time. We request each supplier candidate to submit sample products for our inspection. We also inspect their facilities and premises and investigate their reputation and track record before we select them as suppliers.

As our raw materials are commodities and can be easily sourced from alternative suppliers at competitive prices, we have not encountered any shortage in respect of raw materials supply during the Track Record Period and do not believe we are subject to material supply shortage risks. The raw materials we use have experienced both upward and downward price movements during the Track Record Period.

INVENTORY

Our inventories consist primarily of raw materials, packaging materials, semi-finished products and finished products. We store our raw materials, packaging materials, semi-finished products and some of our finished products at our warehouses located in Fujian and Sichuan provinces. We also store finished products in our self-owned retail outlets across the PRC to cater for sales at such outlets and orders from third-party retailers.

We closely monitor product sales performance and maintain communication with our third-party retailers to gather information regarding market acceptance of our products. Based on the results of these monitoring activities, we adjust our marketing strategies, performance targets and production schedules annually and from time to time.

As of 31 December 2008, 2009 and 2010 and 31 March 2011, our inventory accounted for approximately 34.2%, 25.0%, 25.4% and 26.9% of our total current assets, respectively.

BUSINESS

LOGISTICS

Our tea products are typically transported from our warehouses located in Fujian province to our retail outlets across the PRC. The majority of our tea products are transported via railways or roadways. We also transport our tea leaves in bulk cargo via shipping and our premium grade tea leaves by air. Almost all of our tea products are transported through independent third-party logistics companies which bear the risks associated with the delivery of our tea products. We select our logistics companies based on annual review of their price and service quality, including safety, accuracy and timeliness. We enter into contracts with them annually. As of the Latest Practicable Date, we had transportation contracts with six logistics companies, all of which are Independent Third Parties. During the year, we regularly evaluate performance of our logistics companies and their compliance with the contract terms. During the Track Record Period, we did not experience any material disruption in the delivery of our tea products.

INFORMATION SYSTEMS

We believe that computerised information systems are important in improving our efficiency in raw materials procurement, ordering process, production, sales and inventory monitoring, preparation of financial information and overall management of our operations. Most of our self-owned and third-party owned retail outlets and retail points are equipped with a real-time POS (Point of Sale) system to record and collect sales details and inventory movement on a daily basis. We have also commenced the implementation of an ERP (Enterprise Resource Planning) system and we plan to expand our ERP and POS systems for the full integration of operating information between our Group and our third-party retailers. In doing so, we aim to achieve real-time data flow to better manage our procurement processing, planning our orders and production, sales, inventory control, reduce logistics bottlenecks and improve the overall efficiency of our operations.

MARKETING

We have a marketing department, which was comprised of 53 full-time staff as of 31 March 2011, to maintain our strong brand recognition and reputation. Our marketing department is responsible for formulating overall marketing and branding strategies, integrating marketing strategies with the operation of our distribution and sales system, preparing and monitoring the annual budget for marketing activities, selecting product candidates for development and conducting market research and promotional activities.

Our tea products have one of the highest levels of brand awareness among consumers amongst all traditional Chinese tea products sold in the PRC according to Euromonitor International. Hence, our marketing strategy mainly focuses on placing advertisements on public transport and inflight magazines, marketing via motion media shown in public transport, and placing T-bar advertisement near hypermarkets. We also place television advertisements on China Central Television (中國中央電視台) during major festivals in the PRC, including the New Year festival, Chinese New Year festival and Mid-Autumn festival, and during the launch of tea products for new seasons.

BUSINESS

Our marketing team works closely with our sales personnel from our regional sales offices and retail outlets across the PRC to ensure consistency and quality in our sales and brand-building activities and that our marketing efforts are tailored to local preferences. We also promote our tea products by giving away free gifts to customers when customers purchase certain amounts of specified products, in particular in conjunction with theme promotion campaigns that we organise during peak seasons for tea products, such as in the traditional Chinese festivals. In addition, we provide our customers with free trial tea products at our retail outlets and retail points in order to promote our sales. During the three years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, our advertising expenses and free trial expenses represented 6.1%, 1.50%, 1.91% and 2.53% of our revenue, respectively.

We plan to establish our Tenfu brand as the primary brand recognised for Chinese tea products in the PRC.

COMPETITION

The traditional Chinese tea-product market in the PRC has become increasingly competitive and fragmented, and the number, size and strength of our competitors vary widely by region. On the tea leaves segment, we compete with a large number of small-scale businesses at the retail front as well as a number of large-size tea companies. We also compete against retailers which sell tea leaves in unbranded form, although we believe our position differs from such businesses. On the tea snacks segment, although there are currently a small number of competitors which sell snacks products infused with the flavour of tea leaves, we compete generally with competitors which sell snack products and this market is very competitive.

On the branded Chinese tea ware segment, it is a relatively consolidated market in which we compete against a number of manufacturers of tea ware.

The increase in Chinese consumers' spending on tea leaves and tea snacks may attract more enterprises to enter into these markets. The barriers to entry, however, are not low as the upfront costs and time required for establishing strong brand awareness and a national distribution network are significant. In addition, we believe that we have a competitive advantage over future potential entrants, as well as our existing competitors, through our leading market position, strong nationwide brand recognition, established nationwide network of retail outlets and experienced management team.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had 98 registered trademarks, 61 applications for trademark registration, 22 registered patents, three application for patent and five registered domain names. Our patents relate to some of our packaging materials. For further information, please see the section entitled "Statutory and General Information – B. Information About Our Business" in this prospectus.

Our self-owned and third-party owned retail outlets and retail points operate under our "Tenfu" brand in the PRC. As of the Latest Practicable Date, we had registered the core trademarks relating to our "Tenfu" brand (天福, "天福名茶", "TenFu" and "TenFu" with the Trademark Office of the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局商標局). Our "天福" trademark is also recognised as a "Well-known Trademark of the PRC" (馳名商標) by the Trademark Office of the State Administration for

BUSINESS

Industry and Commerce of the PRC in 2005 and has been certified by the International Bureau of the World Intellectual Property Organisation as a registered international mark which is recognised by 27 other countries worldwide. We have entered into the Strategic Alliance Agreement with Ten Ren, pursuant to which, amongst other things, Ten Ren has granted us the licence to use the “Ten Ren” trademark for our business. In addition, we have entered in to the Master Purchase Agreement with Lu Yu, pursuant to which, amongst other things, Lu Yu has granted us the licence to use the “Lu Yu” trademark for our business. For further details relating to the Strategic Alliance Agreement and to the Master Purchase Agreement with Lu Yu, please see the sections entitled “Relationship with Controlling Shareholders” and “Connected Transactions” in this prospectus, respectively.

Our concession points at hypermarkets operate under the Tenfu Ten Xin (“天福天心”, “天福天心”), Danfeng (“丹峰”) and Uncle Lee (“安可李”) trademarks in the PRC. As of the Latest Practicable Date, we had registered the Uncle Lee trademark (“安可李”) with the Trademark Office of the State Administration for Industry and Commerce of the PRC. The Danfeng trademark (“丹峰”) is in the process of being transferred to us by Xiamen Tenfu, the registration of which is being processed by the Trademark Office of the State Administration for Industry and Commerce of the PRC. As advised by our PRC legal advisers, there is no material legal impediment to complete the registration of the Danfeng trademark. In addition, we applied for the registration of the Tenfu Ten Xin trademarks (“天福天心”, “天福天心”) on 1 December 2010, and received the notice of acceptance of our applications from the Trademark Office of the State Administration for Industry and Commerce of the PRC on 14 December 2010. As advised by our PRC legal advisers, our applications were made in accordance with relevant PRC laws and are legal and valid and the trademarks under application are in forms which are capable of being registered as trademarks under the Trademark Law of the PRC. Our PRC trademark registration agent has confirmed that these trademarks had passed the preliminary examination of Trademark Office and is due for publication on 13 September 2011. As advised by our PRC legal advisers, pursuant to Trademark Law of the PRC, if no opposition is filed within three months from the date of such publication, the trademark applications will be approved for registration. As of the Latest Practicable Date, our PRC trademark registration agent had not notified us of any impediment to complete the registration of the Tenfu Ten Xin and the Danfeng trademarks.

As part of our operations, we rely on various know-how and proprietary information which constitute trade secrets. We have generally entered into confidentiality agreements with all relevant personnel who have knowledge of our confidential information and our employee handbook sets forth the employees’ obligation to keep confidential our trade secrets and know-how. We are entitled to terminate any employee that materially breaches such obligations under the employee handbook.

We undertake a pro-active approach to manage our intellectual property portfolio. We undertake defensive registrations of our trademarks in additional categories where it is reasonably foreseeable that the trademark may be used in our products in the future. Registration of intellectual property rights is usually made by our agents. We will take action upon becoming aware of a potential infringement of our trademarks. We have experienced infringement of our intellectual property, primarily in the form of using brands and packages similar to us, and expect that there will be more counterfeiting of our products as our brand awareness increases.

The Group was involved in the following intellectual property infringement disputes and third party claims during the Track Record Period:

Date of decision	Court/Case No.	Plaintiff	Defendant	Summary of dispute	Status
2007	北京市第二中級人民 法院 (Beijing Second Intermediate People's Court*) “(2007)二中民初字第 第 373 號”	蕭玉田 (Xiao Yutian*)	Zhangzhou Tenfu Beijing branch and Jiajiang Tenfu	The plaintiff is the creator of a Chinese painting and claimed that Jiajiang Tenfu has, without his consent, procured and altered his painting and used the altered painting on the packaging of a tea product sold by the Group. The plaintiff produced a product as evidence in court which displayed the altered painting on its packaging and which stated that it was produced by the Group. Jiajiang Tenfu denied to have ever produced such product. However, the court, on the basis that Jiajiang Tenfu had failed to prove that it has not produced the product with the packaging in question, found in favour of the plaintiff and ordered Jiajiang Tenfu to pay RMB80,000 to the plaintiff.	Jiajiang Tenfu was ordered by the Beijing Second Intermediate People's Court to pay RMB80,000 to the plaintiff. The defendants appealed to the Beijing High People's Court, which upheld the earlier court's decision. Subsequently, the amount of RMB80,000 has been fully settled.

Date of decision	Court/Case No.	Plaintiff	Defendant	Summary of dispute	Status
2008	上海市浦東新區人民 法院 (Shanghai Pudong New Area People's Court*) “(2008)浦民三 (知)初字第66號” 上海市第一中級人民 法院 (Shanghai No. 1 Intermediate People's Court*) “(2009)滬一中民五 (知)終字第52號”	徐有武 (Xu Youwu*)	Zhangzhou Tenfu (amongst other co-defendants)	The plaintiff, the creator of a painting, claimed that Zhangzhou Tenfu, amongst others, had procured and altered his painting and used the altered painting on the packaging of a tea product without his consent. Zhangzhou Tenfu had contended that it should not be subject to the claim because the infringement was made by independent designers it had engaged. However, the court was of the view that Zhangzhou Tenfu, as the user and beneficiary of the product packaging design, had the obligation to review the design and the right to decide the use of the design and, therefore, Zhangzhou Tenfu could not be absolved from its civil responsibility.	Zhangzhou Tenfu and other co-defendants were ordered by the Shanghai Pudong New Area People's Court to pay RMB18,000 to the plaintiff and publish an apology to the plaintiff. Zhangzhou Tenfu appealed to the Shanghai No. 1 Intermediate People's Court, which upheld the earlier court's decision. The amount of RMB18,000 has been fully settled. Subsequently, Minhou Tianyuan and the plaintiff entered into a mediation agreement on 8 August 2011 pursuant to which the plaintiff and Minhou Tianyuan agreed that Minhou Tianyuan pay an additional amount of RMB7,000 to the plaintiff in lieu of the apology to be published by Zhangzhou Tenfu pursuant to the judgment “(2008)浦民三(知)初字第66號” and Minhou Tianyuan pursuant to the judgment “(2010)浦民三(知)初字第279號” and “(2010)浦民三(知)初字第280號”. The amount of RMB7,000 has been fully settled.

Date of decision	Court/Case No.	Plaintiff	Defendant	Summary of dispute	Status
2010	上海市浦東新區人民 法院 (Shanghai Pudong New Area People's Court*) “(2010)浦民三(知) 初字第 279號”	徐有武 (Xu Youwu*)	Minhou Tianyuan (amongst other co-defendants)	The plaintiff, the creator of a painting, claimed that Minhou Tianyuan, amongst others, had procured and altered his painting and used the altered painting on the packaging of a tea product without his consent. Minhou Tianyuan had contended that it should not be subject to the claim because the infringement was made by independent designers it had engaged. However, the court was of the view that Minhou Tianyuan, as the user and beneficiary of the product packaging design, had the obligation to review the design and the right to decide the use of the design, and therefore, Minhou Tianyuan is responsible for the infringement. Minhou Tianyuan was ordered to pay RMB10,000 to the plaintiff.	Minhou Tianyuan was ordered to pay RMB10,000 to the plaintiff and publish an apology to the plaintiff. The amount of RMB10,000 has been fully settled. Subsequently, Minhou Tianyuan and the plaintiff entered into a mediation agreement on 8 August 2011 pursuant to which the plaintiff and Minhou Tianyuan agreed that Minhou Tianyuan pay an additional amount of RMB7,000 to the plaintiff in lieu of the apology to be published by Zhangzhou Tentu pursuant to the judgment “(2008)浦民三(知)初字第66號” and Minhou Tianyuan pursuant to the judgment “(2010)浦民三(知)初字第279號” and “(2010)浦民三(知)初字第280號”. The amount of RMB7,000 has been fully settled.

Date of decision	Court/Case No.	Plaintiff	Defendant	Summary of dispute	Status
2010	上海市浦東新區人民 法院 (Shanghai Pudong New Area People's Court*) “(2010)浦民三(知) 初字第280號”	徐有武 (Xu Youwu*)	Minhou Tianyuan (amongst other co-defendants)	The plaintiff, the creator of a painting, claimed that Minhou Tianyuan, amongst others, had procured and altered his painting and used the altered painting on the packaging of a tea product without his consent. Minhou Tianyuan had contended that it should not be subject to the claim because the infringement was made by independent designers it had engaged. However, the court was of the view that Minhou Tianyuan, as the user and beneficiary of the product packaging design, had the obligation to review the design and the right to decide the use of the design, and therefore, Minhou Tianyuan is responsible for the infringement. Minhou Tianyuan was ordered to pay RMB10,000 to the plaintiff.	Minhou Tianyuan was ordered to pay RMB10,000 to the plaintiff and publish an apology to the plaintiff. The amount of RMB10,000 has been fully settled. Subsequently, Minhou Tianyuan and the plaintiff entered into a mediation agreement on 8 August 2011 pursuant to which the plaintiff and Minhou Tianyuan agreed that Minhou Tianyuan pay an additional amount of RMB7,000 to the plaintiff in lieu of the apology to be published by Zhangzhou Tentu pursuant to the judgment “(2008)浦民三(知)初字第66號” and Minhou Tianyuan pursuant to the judgment “(2010)浦民三(知)初字第279號” and “(2010)浦民三(知)初字第280號”. The amount of RMB7,000 has been fully settled.
2011	上海市第二中級人民 法院 (Shanghai No. 2 Intermediate People's Court*) “(2011)滬二中民五 (知)初字第19號”	徐有武 (Xu Youwu*)	Minhou Tianyuan (amongst other co-defendants)	The plaintiff, the creator of a painting, claimed that Minhou Tianyuan, amongst others, had procured and altered his painting and used the altered painting on the packaging of a tea product without his consent.	As facilitated by the Shanghai No. 2 Intermediate People's Court, Minhou Tianyuan and the plaintiff entered into a mediation agreement on 8 August 2011, pursuant to which Minhou Tianyuan agreed to pay an amount of RMB7,000 to the plaintiff. In return, the plaintiff undertook, amongst others, not to claim against any infringement by the defendant before the date of the mediation agreement in relation to the use of the altered painting on the packaging of two tea products. The amount of RMB7,000 has been fully settled.

Date of decision	Court/Case No.	Plaintiff	Defendant	Summary of dispute	Status
2010	福建省廈門市中級人民法院 (Intermediate People's Court of Xiamen, Fujian Province*) “(2009)廈民初字第245號”	財神爺 (廈門) 工藝品有限公司 (Cai Shen Ye (Xiamen) Handcrafts Ltd.*)	Zhangzhou Tenfu and Minhou Tianyuan (amongst other co-defendants)	The plaintiff claimed that the defendants, including Zhangzhou Tenfu and Minhou Tianyuan amongst other co-defendants, had infringed its copyright. The Court held that the plaintiff's claim was not supported with sufficient factual basis. The Court found in favour of the defendants and dismissed all claims made by the plaintiff.	The Court found in favour of the defendants and dismissed all claims raised by the plaintiff. As of the Latest Practicable Date, the plaintiff has not filed any notice of appeal.
2010	上海市盧灣區人民法院 (Shanghai Luwan District People's Court*) “(2009)盧民三(知)初字第121號” 上海市第一中級人民法院 (Shanghai No. 1 Intermediate People's Court*) “(2009)滬一中民五(知)終字第78號” “(2010)滬一中民五(知)終字第45號”	華其敏 (Hua Qimin*) 陸愛珍 (Lu Aizhen*)	Zhangzhou Tenfu and Xiamen Apex	The plaintiffs, the son and wife of the author of an artwork, claimed that the defendants, including Zhangzhou Tenfu and Xiamen Apex, had procured his artwork without his consent and used the artwork on a tea product sold by the Group. Both Zhangzhou Tenfu and Xiamen Apex confirmed to the Court that Zhangzhou Tenfu was not involved and the Court confirmed that the case was not related to Zhangzhou Tenfu in the judgment. Xiamen Apex contended that it should not be held responsible for the infringement by the independent designer it had engaged. However, the court held that Xiamen Apex were responsible for the infringement and ordered Xiamen Apex to pay RMB50,000 to the plaintiff.	Xiamen Apex was ordered by the Shanghai Luwan District People's Court to pay RMB50,000. Xiamen Apex appealed to the Shanghai No. 1 Intermediate People's Court which upheld the earlier court's decision. Subsequently, the amount of RMB50,000 has been fully settled.

BUSINESS

We confirm that we engage independent designers to carry out packaging designs. Pursuant to our contracts with the independent designers: (1) our independent designers are required to take due care to avoid the infringement of any trademarks and patents or intellectual property rights of third party while creating packaging designs for us; and (2) our independent designers would be liable for any loss arising from the aforesaid infringement. We will also engage professional intellectual property agents to conduct the relevant searches of published registered trademarks prior to the launch of products with new packaging designs. We believe that the above measures would help us to avoid potential future intellectual property infringement claims.

During the Track Record Period, we did not experience any infringement of our intellectual property rights, including incidents involving counterfeit and imitation of our products, which had a material effect on our business.

EMPLOYEES

As of 31 December 2008, 2009 and 2010 and 31 March 2011, we had 2,101, 2,534, 5,798 and 5,628 employees, respectively, with whom we had employment agreements and had incurred staff costs (including salaries, benefits and allowances) in relation to those employees of approximately RMB43.75 million, RMB51.44 million, RMB153.10 million and RMB56.55 million for the respective periods. The following table sets forth a breakdown of our employees by function as of the dates indicated.

	As of 31 December			As of
	2008	2009	2010	31 March 2011
Senior management	8	8	11	8
Sales/Staff for sales entitles and retail outlets and retail points (directly employed) . .	324	530	3,345	2,999
Accounting	67	156	287	374
Human resource and administration	583	707	722	857
Marketing (including media buying team)	10	17	38	53
Production	765	756	674	654
Research and development . . .	18	22	24	24
Raw materials/products procurement	29	34	36	35
Others	297	304	661	624
Total	<u>2,101</u>	<u>2,534</u>	<u>5,798</u>	<u>5,628</u>

We use short-term or temporary workers on an as-needed basis to help meet our production needs during high seasons. During the three years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, the number of our temporary and short-term workers totalled 362, 366, 425 and 399, respectively.

We are committed to our employees' continuing education and development. We provide regular and targeted training programmes to our employees, such as training on our products, sales skills and management. We also motivate and retain our employees by maintaining a merit-based compensation and promotion system.

BUSINESS

We participate in various statutory employee benefit plans maintained by municipal and provincial governments, including housing, pension, medical and unemployment benefit plans, in accordance with relevant PRC regulations. We contribute to these plans at specified percentages of the salaries, bonuses and allowances paid to our employees based on applicable local government requirements. As advised by our PRC legal advisers, pursuant to relevant PRC labor and insurance laws and regulations, an employer is not required to make social insurance contributions to the social insurance authorities for short-term or temporary workers unless the employer has entered into an employment relationship with them. Our PRC legal advisers are of the opinion that we have not entered into an employment relationship with the short-term or temporary workers as described above, and therefore, we are not required to make social insurance contributions to the social insurance authorities and are not in violation of the relevant labor and social insurance laws and regulations with respect to these short-term or temporary workers. Nonetheless, our PRC legal advisers have advised that it is theoretically possible that the relevant PRC authorities may take a different interpretation and that the relevant short-term or temporary worker may demand that social insurance contributions ought to be payable, although this risk is reduced as we have obtained confirmations from the relevant social insurance authorities confirming that we have complied with our social insurance contribution obligations.

We believe that we maintain a good working relationship with our employees and have not experienced any strikes, labour disputes or industrial actions which had a material effect on our business.

PROPERTIES

Self-owned land

We own a total of 20 parcels of land with an aggregate site area of approximately 244,653 square meters on which our processing facilities, warehouses, dormitories, our tea museums and other service and ancillary facilities are situated. Out of the land we own: (i) we hold the granted land use right certificate for a parcel of land with a site area of 15,831 square meters on which office buildings, workshops, dormitories and other ancillary facilities are located but have yet to sign any contract for grant of land use right nor paid up the land premium for such parcel of land. Based on a written confirmation from Zhangpu People's Government, we have a valid and legal land use right for such land. According to our PRC legal advisers, Zhangpu People's Government has authority to issue such confirmation. However, as advised by our PRC legal advisers, as the written confirmation of Zhangpu People's Government is not binding on the PRC government and land authority of a higher level, we may be required to pay the shortfall of the amount of the land premium by the PRC government or land authority of a higher level; (ii) we hold the granted land use right certificates for a total of 12 parcels of land with an aggregate site area of approximately 126,870 square meters on which multiple-use buildings, villas, museum, workshops, dormitories and other ancillary facilities are located in respect of which we have signed the contract for grant of land use right but have not paid the full amount of the relevant land premium (with a shortfall of RMB15.5 million).

Based on a written confirmation from Zhangpu People's Government, Zhangpu People's Government confirmed that the Group enjoys the local preferential policy for its investments in Zhangpu and has paid up all land premium that are required to be paid for such land. According to our PRC legal advisers, Zhangpu People's Government has authority to issue such confirmation. However, as advised by our PRC legal advisers, as the written confirmation of Zhangpu People's Government is not binding on the PRC government and land authority of a higher level, we may

BUSINESS

be required to pay the shortfall of the amount of the land premium by the PRC government or land authority of a higher level; (iii) we have legally obtained the land use right certificates for two parcels of land with an aggregated site area of 22,641.9 square meters on which office buildings, workshops, warehouses and other ancillary facilities are located but such land is located within the boundaries of an education facility planned to be constructed by the PRC government and the PRC government may reclaim such land from us in the future. Currently, one of our tea leaves packaging facilities is situated on such parcels of land. We have been in negotiation with the relevant authority regarding the possibility of the reclamation and have been advised that there are no current plans to reclaim such land for the construction of the education facility. However, given the possibility of this reclamation, we have established a new processing facility in Zhangpu to replace this facility. We have currently completed the construction of the building facilities but have not yet installed any tea leaves packaging equipment and machinery. In the event that we are required to cease operations of our tea leaves packaging facility located within the boundaries of the education facility to be constructed, we can readily replace it.

Self-owned buildings

We own a total of 145 buildings with an aggregate gross floor area of approximately 164,070 square meters. Most of these buildings are used by us as our processing facilities, warehouses, dormitories, our tea museums, retail stores and other ancillary facilities. Out of the buildings which we own: (i) we do not possess valid title certificates for buildings with an aggregate gross floor area of approximately 9,300 square meters because: (a) some of these buildings are located on leased land for which the lessors have not obtained valid title certificates or for which leased land are rural collectively owned land and such leases are not in compliance with relevant PRC laws and regulations; and (b) some of these buildings have been constructed without completing the relevant building construction application procedures. Therefore we were not able to obtain the relevant building construction permits for these buildings. As advised by our PRC legal advisers, we may be subject to administrative penalties, including orders to demolish these buildings or pay fines of 1% to 2% of the contracted price for construction of these buildings. Based on the best estimate of our Directors, the maximum amount of such fines if imposed on our Group is approximately RMB186,409. These buildings are mostly used as our dormitories, tourism facilities, ancillary facilities and storage facilities. In the event where we can no longer enjoy the use of these buildings, we do not believe our operations would be materially adversely affected; and (ii) we have yet to obtain valid title certificates for buildings with an aggregate gross floor area of approximately 1,497 square meters which we recently purchased from Independent Third Parties. These buildings are mostly used, or will be used, as our office building or for our retail outlets. We are currently in the process of applying for title certificates for these buildings in accordance with relevant PRC laws and regulations, and as such, our PRC legal advisers have advised that no administrative penalties will be imposed on us due to the lack of title certificates for these buildings. Based on the best estimate of our Directors, we expect to obtain the title certificates for these buildings by October 2011, save for a new unit with an aggregate gross floor area of approximately 176 square meters which is yet under construction and we expect to obtain the title certificate for this unit by August 2012. As advised by our PRC legal advisers, provided that the vendors of the buildings are selling the building in compliance with applicable PRC laws and regulations and perform their obligations under the relevant sale and purchase agreement in accordance with the terms thereunder, there is no material legal impediment for us to obtain the title certificates for such buildings.

BUSINESS

Leased land

We lease land with an aggregate site area of approximately 325,100 square meters on which two gas stations, sight seeing facilities and ancillary facilities are situated. The landlords of such land do not possess or have yet to provide us with valid title certificates in relation to such land or such land is allocated land or rural collectively owned land. As advised by our PRC legal advisers, we may not be able to continue the use of such land in the future if any third party claims on the leased land are successfully enforced or the leases for these land are ordered to be terminated by the relevant PRC land authorities. As these land are not used by us as part of our core business, we believe our operations would not be materially adversely affected in the event that we are unable to continue the use of such land.

Leased buildings

We lease three building complex, two gas stations, two automobile maintenance facilities and eight ancillary buildings, with an aggregate gross floor area of approximately 14,121.86 square meters, that lack title certificates and are located on allocated land or land without land use right certificates. These properties are used for our expressway related services in Jiajiang and operation of our restaurant in Zhangpu, which do not form part of our core business. Our sales subsidiaries lease the premises of 86 of our self-owned retail outlets, in respect of which leased premises the lessors do not possess the relevant title certificates or have refused to provide the relevant title certificates to us or are not permitted by the owners of buildings to sub-lease such premises to us or have refused to provide documents evidencing such permission to sub-lease to us. We face the risk that we may not be able to continue to occupy such premises for our self-owned retail outlets, in which case we may have to find alternative locations for the operation of such outlets.

In addition, 202 of the lease agreements have yet to be registered with the relevant government authorities. Most of these relate to leases of the premises on which our retail outlets are situated. As advised by our PRC legal advisers, under PRC laws, a lessor and a lessee must register and file an executed lease agreement with the competent governmental authorities. A failure to register an executed lease agreement will not affect the validity of the lease agreement. Nonetheless, we may be liable to a fine ranging from RMB1,000 to RMB10,000 per incident. We have proactively requested lessors of such properties to complete the filing and registration procedures in a timely manner, but are unable to control whether and when they do so.

Based on the above, we believe the above property title deficiencies would not, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations. In relation to the risk involved associated with the above property title deficiencies, please see the section entitled “Risk Factors” in this prospectus.

ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

Given the nature of our business, our production process produces a small amount of waste water, solid wastes, noise and, to a lesser extent, gases. Such process does not cause any material damage to the environment.

To minimise the impact of emissions on the environment, we have implemented a comprehensive set of environmental protection measures. We have installed advanced environmental protection equipment to treat waste water and, where possible, recycle waste materials. We have procedures in place to treat and dispose of our waste in accordance with national

BUSINESS

and local environmental laws and regulations. We are also constantly seeking to improve our environmental protection measures, for example by installing waste water processing pools which sediment waste particles in water, and installing a COD online analyser and ultrasonic flow meter facilities for the detection of pollution source.

To ensure compliance with applicable regulations, we have six dedicated staff responsible for supervising and monitoring compliance with statutory regulations and our internal standards relating to environmental protection. Our total expenditures for purchasing environmental protection equipment and maintaining compliance with environmental laws were approximately RMB33,000 for the three months ended 31 March 2011 and such expenditures did not exceed RMB465,000 for any of the years ended 31 December 2008, 2009 and 2010. We are currently constructing a pollutant discharge facility in Zhangpu in relation to Zhangpu Tenfu's operations of restaurants and ancillary facilities in Zhangpu which we estimate will cost approximately RMB770,000. We do not otherwise expect any significant fluctuation in our compliance costs in the near future.

During the Track Record Period, we have been in material compliance with all applicable PRC environmental regulations, have not been subject to any material claims or penalties in relation to environmental protection and have not been involved in any environmental accidents or fatalities.

There are no specific demands and requirements imposed on us by our customers in complying with environmental protection rules in areas where our customers operate.

INSURANCE

As of the Latest Practicable Date, we maintained insurance coverage for our vehicles, property and equipment and employee accidents. We generally do not maintain product liability insurance for our products, which we believe is in line with the general practice in the PRC as product liability insurance is not required under PRC law. During the Track Record Period, we had not received any material claim from customers or consumers relating to any liability arising or relating to the use of our products. For the risks associated with the coverage of our insurance policies, please see the sections entitled "Risk Factors – Risk Relating to the Tea-products Industry in the PRC – Any unexpected or undesirable side effects or injury caused by our products to consumers could result in costly product recalls or product liability claims, which in turn could lead to severe reputational damage, monetary losses or lawsuits." and "Risk Factors – Risk Relating to Our Business – Our insurance coverage may not completely cover the risks related to our business and operations" in this prospectus.

LEGAL COMPLIANCE AND LITIGATION

As part of our plan, we have recently acquired and established new self-owned retail outlets and are in the process of applying for the necessary governmental approvals for such acquisitions and establishments. For further details, please see the section entitled "Risk Factors – We have not obtained approvals from the MOFCOM at the provincial level for certain existing retail outlets and, accordingly, we may be subject to fine or other administrative penalties, which could materially and adversely affect our business, financial condition and results of operations" in this prospectus.

We are also in the process of constructing pollutant discharge facilities with respect to Zhangpu Tenfu's operations of restaurants and ancillary facilities in Zhangpu, Fujian province. Zhangpu Tenfu is applying for the Pollutant Discharge Permit and will complete the required

BUSINESS

inspection and acceptance of the environment protection procedures after completing the construction of pollutant discharge facilities. As advised by our PRC legal advisers, Zhangpu Tenfu may be subject to a maximum penalty of RMB50,000 for its lack of Pollutant Discharge Permit, a maximum penalty of RMB100,000 for not completing the required inspection and acceptance of the environment protection procedures before the commencement of use of the restaurants and ancillary facilities in Zhangpu, and may be ordered to cease its operations of these facilities.

Other than the above, our PRC legal advisers have opined that we have obtained and currently maintain all material permits and licences required for our operations and sales activities actually being conducted. As confirmed by our Directors, save for as disclosed in the prospectus, we have complied with all relevant PRC laws and regulations for our operations in all material respects during the Track Record Period.

During the Track Record Period, we had not been, and were not, involved in any litigation or arbitration proceedings that, individually or in the aggregate, could have a material adverse effect on our business, financial condition or results of operations. In addition, we have not been and are not involved in any litigation or arbitration proceedings pending or threatened against us or any of our Directors that, individually or in the aggregate, could have a material adverse effect on our business, financial condition or results of operations.

We have not been subject to any findings or recommendations by the PRC or overseas governmental authorities in their examinations and inspections in relation to any matter which, individually or in the aggregate, might have a material adverse effect on our business, financial condition or results of operations.

OTHER BUSINESS INTERESTS

As part of our business, we also have an interest in a gas station in Zhangpu, Fujian province which is owned by Zhangzhou Tenfu Oil Limited (a joint venture established and owned by Zhangpu Tenfu and 中國石油化工股份有限公司福建石油分公司 (SINOPEC Fujian Oil Products Company*). Zhangzhou Tenfu Oil Limited is permitted by Zhangpu Tenfu to use part of the allocated land leased by Zhangpu Tenfu from Zhangzhou Zhangzhao Expressway Co., Ltd. and Zhangzhou Tenfu Oil Limited pays relevant rental for its use of such part of land, where a gas station was constructed, directly to Zhangzhou Zhangzhao Expressway Co., Ltd. However, as the operation of gas stations does not form part of our Group's core businesses, Tenfu Oil has leased the assets and facilities relevant to operation of the gas station to an Independent Third Party. Under the joint venture arrangement, we received a share of profit of Zhangzhou Tenfu Oil Limited during the Track Record Period. In addition, from October 2002 to December 2008, we operated two gas stations in Jiajiang, Sichuan province. These gas stations were leased by us from an Independent Third Party under a lease agreement signed by US Tenren (which held the equity interest in the PRC Tea Subsidiaries in favour of the Founding Members under a nominee arrangement prior to the Reorganisation) on behalf of Jiajiang Tenfu. The Founding Members have decided to establish Jiajiang Tenfu through US Tenren and invest in Jiajiang at the invitation of the Jiajiang People's Government. The operation of the two gas stations in Jiajiang in 2008 generated a small amount of revenue for our Group for that period. Since January 2009, Jiajiang Tenfu has ceased to operate these two gas stations and leased out the gas station premises to an independent third party for operation of such gas stations by the third party for the remainder of the term of its lease agreement.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and the Capitalisation Issue, (not taking account of Shares which may be issued pursuant to the exercise of the Over-allotment Option or any option granted under the Share Option Scheme), Mr. Lee Rie-Ho, our Chairman, will be interested in 15.38% of the issued share capital of our Company through Discerning Group Limited, Mr. Lee Chia Ling, our executive Director, will be interested in 30.76% of the issued share capital of our Company through The KCL Trust, Trackson Investments Limited and Tiger Nature and Mr. Lee Shih-Wei, our Director, will be interested in 0.38% of the issued share capital of our Company. Together, the Controlling Shareholders will control the exercise of approximately 46.53% of the voting rights in general meetings of our Company immediately after the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option or the Share Option Scheme is not exercised). The KCL Trust was set up on 12 April 2011 by Mr. Lee Chia Ling. The KCL Trust is a discretionary trust and the beneficiaries are the family members of Mr. Lee Chia Ling. The trustee of The KCL Trust is Credit Suisse Trust Limited, which is a company incorporated under the laws of Singapore.

TEN REN

Apart from our Company, Mr. Lee Rie-Ho, Mr. Lee Chia Ling, Mr. Lee Shih-Wei and Mr. Tseng Ming-Sung (the “**Related Directors**”) are interested in Ten Ren as a result of their shareholding interest in the three largest corporate shareholders of Ten Ren namely, 天福投資股份有限公司 (Tenfu Investment Corporation Limited*) (“**Tenfu Investment**”), 天欣投資股份有限公司 (Tensin Investment Corporation Limited*) (“**Tensin Investment**”) and 天瑞投資股份有限公司 (Tenrui Investment Corporation Limited*) (“**Tenrui Investment**”). Ten Ren is principally engaged in the blending and manufacturing of tea leaves, and the marketing and sale of tea leaves, tea snacks and tea ware in Taiwan under principally the “天仁” brand. It also manages various franchises that market and sell tea leaves, tea snacks and tea ware under its “天仁” brand in the United States of America and Canada. Each of Tenfu Investment, Tensin Investment and Tenrui Investment is interested in approximately 9.72%, 8.70% and 8.31% of the issued share capital of Ten Ren, respectively. Also, Mr. Lee Rie-Ho, Mr. Lee Chia Ling, Mr. Lee Kuo-Lin, Mr. Lee Shih-Wei and Ms. Lee, Tsai Li Li, the spouse of Mr. Lee Rie-Ho, are personally interested in an aggregate of approximately 6.45% of the issued share capital in Ten Ren. Mr. Lee Shih-Wei, our Director and Mr. Lee, John L, the son of Mr. Lee Rie-Ho, our Chairman and Director, are currently acting as directors of Ten Ren, the board of which consists of seven members. Mr. Lee Min-Zun, our Director, is currently acting as supervisors of Ten Ren.

The details of our Directors’ interests in these three corporate shareholders are set out as follows:

Name of corporate shareholder of Ten Ren	Shareholding percentage held by Mr. Lee Rie-Ho	Shareholding percentage held by Mr. Lee Chia Ling	Shareholding percentage held by Mr. Lee Shih-Wei	Shareholding percentage held by Mr. Tseng Ming-Sung	Other Shareholders	Total
Tenfu Investment	8.3%	41.67%	41.67%	3.33%	5.03%	100%
Tensin Investment.	6.25%	10.00%	31.25%	0.00%	52.5%	100%
Tenrui Investment.	6.25%	31.25%	10.00%	0.00%	52.5%	100%

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

As confirmed by our Taiwan legal advisers, the relatives of the Related Directors (the “**Related Shareholders**”) are not considered as Ten Ren’s controlling shareholders in Taiwan pursuant to Taiwan laws and regulations.

In view of Mr. Lee Shih-Wei’s control of more than 30% but less than 50% of the voting power at general meetings in each of Tenfu Investment and Tensin Investment and Mr. Lee Chia Ling’s control of more than 30% but less than 50% of the voting power at general meetings in Tenrui Investment and Tenfu Investment, each of the three corporate shareholders of Ten Ren is an associate of Mr. Lee Shih-Wei and Mr. Lee Chia Ling (our Directors) and thus, a connected person of our Company. However, neither Tenfu Investment, Tensin Investment nor Tenrui Investment holds more than 50% in Ten Ren. Hence, Ten Ren is not an associate or a connected person of our Company.

A majority of the other shareholders of Tenfu Investment, Tensin Investment and Tenrui Investment are the Related Shareholders who are associates of the Related Directors. However, the interests of the Related Shareholders in Tenfu Investment, Tensin Investment and Tenrui Investment have not been taken together to determine the Related Directors’ interest in Ten Ren as they are only associates of the Related Directors, their investments were not funded by our Controlling Shareholders and the Related Shareholders’ voting or dealing in Ten Ren are not under our Controlling Shareholders’ instructions.

As none of the Related Directors individually is entitled to exercise or control the exercise of 30% or more of the voting power at general meetings or control the composition of a majority of the board of Ten Ren, Ten Ren is not an associate of any of Mr. Lee Rie-Ho, Mr. Lee Chia Ling, Mr. Lee Shih-Wei or Mr. Tseng Ming-Sung nor a connected person of our Company under the Listing Rules. For more information on Ten Ren, please see the paragraph headed “Delineation of Business” in this prospectus.

SAMOA COMPANY

As at the Latest Practicable Date, Mr. Lee Chia Ling held 100% of the issued share capital of Samoa Company. Samoa Company is principally engaged in the business of manufacturing and processing of tea leaves in the PRC. For more information on Samoa Company, please see the paragraph headed “Delineation of Businesses” in this prospectus.

UNCLE LEE’S TEA INC.

As at the Latest Practicable Date, Uncle Lee’s Tea Inc. was owned as to 80% by Mr. Lee Chia Ling, 12% by Mr. Lee Kuo-Lin and 8% by various relatives of the Lee Family. Uncle Lee’s Tea Inc. is principally engaged in the marketing and sales of tea bags under its “Uncle Lee’s” brand in North and South America as well as Europe. For more information on Uncle Lee’s Tea Inc, please see the paragraph headed “Delineation of Businesses” in this prospectus.

LU YU

As at the Latest Practicable Date, Lu Yu was wholly owned by Tensin Investment, which is held as to approximately 31.25%, 10% and 6.25% by Mr. Lee Shih-Wei, Mr. Lee Chia Ling and Mr. Lee Rie-Ho, respectively. Lu Yu is principally engaged in the development and sale of tea ware in Taiwan and exclusively to Zhangzhou Tenfu in the PRC on a wholesale basis. For more information on Lu Yu, please see the paragraph headed “Delineation of Business” in this prospectus.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, we are satisfied that we can carry on our business independently of the Retained Businesses after completion of the Global Offering.

Delineation of Businesses

The following Retained Businesses were not injected into our Group as part of the Reorganisation, nor were such businesses acquired by us after the Reorganisation, as our Directors are of the view that such businesses neither form part of our core business nor are in line with our business focus and overall development strategy to maintain and further strengthen our market position as a leading tea-product enterprise in the PRC.

1. Ten Ren was incorporated in Taiwan in 1975 and has been listed on the Taiwan Stock Exchange since 1999. It is principally engaged in the blending and manufacturing of tea leaves, and the marketing and sale of tea leaves, tea snacks and tea ware in Taiwan under principally the “天仁” brand. It also manages various franchises that market and sell tea leaves, tea snacks and tea ware under its “天仁” brand in the United States and Canada. The business size of Ten Ren is set forth below:

	Revenue (NT\$)	Number of Stores Owned/Operated
2008.	1,748,265,000	78 self-owned stores and 60 franchise stores
2009.	1,760,853,000	88 self-owned stores and 59 franchise stores
2010.	1,870,036,000	95 self-owned stores and 61 franchise stores

In contrast, we categorise and package tea leaves procured from tea farmers and tea traders in the PRC, and market and sell our products through an extensive network of self-owned as well as third-party owned retail outlets and retail points in the PRC. Based on the differences in the production process, the business model and operating territory, we believe Ten Ren’s business is different from ours.

We have entered into a Strategic Alliance Agreement with Ten Ren on 8 September 2011 whereby it is agreed that for a period of 10 years from the Listing Date if and when Ten Ren decides to enter the PRC market, Ten Ren will appoint us as the exclusive distributor of its products in the PRC market and if and when our Group wishes to enter the Taiwan market, our Group will appoint Ten Ren as our exclusive distributor of our products in Taiwan. In addition, Ten Ren has granted us the licence to use the “Ten Ren” trademark for our business. Further, during the term of the Strategic Alliance Agreement, we and Ten Ren Group will not, and will procure that our respective associates will not, on their own account or with each other or in conjunction with or on behalf of any person, firm or company carry on or be engaged in, concerned with or interested in, directly or indirectly, whether as a shareholder or otherwise, in the business of marketing and production of tea leaves, candies, tea snacks, tea ware and other tea products, within the exclusive restricted region of the other party. In view of the potential benefits of a more stable and long term Strategic Alliance Agreement and the resources that would be involved for our Group to develop the Taiwan market, the term of the Strategic Alliance Agreement was commercially agreed to be for a term of ten years and may be renewed by either party for a further period of five years.

The aggregate interests held by Tenfu Investment, Tensin Investment and Tenrui Investment of approximately 26.73% in Ten Ren has not been transferred to our Group as part of the Reorganisation primarily due to the reason that it is a company listed on the Taiwan Stock Exchange and our Company will be subject to the relevant rules of the Taiwan Stock Exchange and given the Strategic Alliance Agreement as described above, our Directors do not consider that it is necessary and in the best interests of our Group and the Shareholders as a whole to include any interest in Ten Ren in our Group at this stage.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

2. Due to the tax advantage of companies incorporated in Samoa, Samoa Company was incorporated in Samoa on 7 June 2005. At the time of its incorporation, the issued share capital of Samoa Company was 100,000,000 shares, of which 45,000,000 shares (45%) were held by Mr. Lee Rie-Ho, 45,000,000 shares (45%) were held by Mr. Lee Kuo-Lin and 10,000,000 shares (10%) were held by Mr. Lee Shih-Wei.

The purpose of setting up Samoa Company was not to circumvent the relevant Taiwan/Mainland Investment Regulations. However, as confirmed by Mr. Lee Rie-Ho, at the time of settling up Samoa Company, he had understood that there were general restrictions under the then prevailing Taiwanese laws on direct investments in the tea industry in the PRC by Taiwanese individuals and enterprises. The precise scope of such restrictions was, however, unclear.

Notwithstanding the existence of the general restrictions, Mr. Lee Rie-Ho firmly believed that based on his personal observations of the development of political relations between Taiwan and the PRC, the prevailing investment restrictions on Taiwanese individuals' and enterprises' freedom to invest in the PRC would be relaxed in the near future. For example, at the relevant time, Mr. Lee Rie-Ho had observed that in January 2001, Taiwan launched the "three mini-links" permitting direct transport, commerce, and postal exchanges between two outlying Taiwan islands and Southern PRC for the first time and in January 2005, the first non-stop direct charter flights flown between Taiwan and the PRC was launched in 55 years.

As confirmed by Mr. Lee Rie-Ho, at the time of establishment of Samoa Company, he had also understood that a violation of the relevant Taiwan/Mainland Investment Regulations applicable to Samoa Company may result in sanctions of an administrative nature, including financial penalties. The decision to proceed with their investment in Samoa Company and its business was made by Mr. Lee Rie-Ho, Mr. Lee Shih-Wei and Mr. Lee Kuo-Lin against the background of these considerations as a matter of commercial judgment, and not with a view to circumventing the Taiwan/Mainland Investment Regulations.

On 31 January 2011, Mr. Lee Rie-Ho, Mr. Lee Shih-Wei and Mr. Lee Kuo-Lin transferred all their shares in Samoa Company for a total consideration of US\$21,026,018 to Mr. Lee Chia Ling (a Director and son of Mr. Lee Rie-Ho who is a Singaporean and is not subject to the relevant Taiwan/Mainland Regulations), who now owns 100% of Samoa Company and is the sole director of the company. Mr. Lee Rie-Ho, Mr. Lee Shih-Wei and Mr. Lee Kuo-Lin no longer have any beneficial interest or control over Samoa Company after such share transfer and there is no continuing breach of the relevant Taiwanese regulations in respect of Samoa Company. Please see the relevant disclosure in the section entitled "Risk Factors – Risks Relating to Taiwanese Individuals' Investment Restrictions in the PRC" for details of risk of enforcement action against Mr. Lee Rie-Ho, Mr. Lee Shih-Wei and Mr. Lee Kuo-Lin with respect to their past investment in Samoa Company. Samoa Company is principally engaged in the manufacturing and processing of tea leaves. Samoa Company directly owns one factory in the PRC, which has completed construction but has not commenced business operation. In addition, Samoa Company through Ten Yuan (Singapore) Holdings Co. Pte. Ltd. (天元(新加坡)控股有限公司), owns another six factories in the PRC, three of which are under construction and three of which have commenced operation.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Under the Taiwan/Mainland Investment Regulations, Taiwanese individuals and enterprises are prohibited from engaging in such tea manufacturing and processing businesses in the PRC. If Samoa Company is injected into our Group, then some of our Founding Members (and Financial Investors) who are Taiwanese residents will be subject to fines and possible imprisonment for violating the Taiwan/Mainland Investment Regulations. As a result of the Taiwan/ Mainland Investment Regulations, Samoa Company is not injected into our Group. Please see the relevant disclosure in the section entitled “Risk Factors – Risks Relating To our Business and Industry” for further details.

The business size of Samoa Company is set forth below:

	<u>Revenue (RMB)</u>	<u>Number of Stores Owned/Operated</u>
2008.	51,225,963	Nil
2009.	83,461,529	Nil
2010.	93,559,160	Nil

Samoa Company’s business is distinct from our core business, namely, the packaging, marketing and sale of tea leaves as well as the development and sale of tea snacks and tea ware. Moreover, Samoa Group and our Group do not share the same customer base. Samoa Group has other customers apart from our Group but we are its largest customer in terms of sales. Samoa Group supplies its products to some of our subsidiaries located in the Fujian province while we sell tea leaves, tea snacks and tea ware to individual customers and third-party retailers located throughout different provinces of the PRC. Samoa Group’s business is therefore clearly differentiated from our business and no competition issues exist. Notwithstanding the differences described above, pursuant to the Deed of Non-Competition, we have been granted an option to acquire Samoa Group if and when we choose. For details of the Non-competition Deed, please see the paragraph headed “Non-competition Deed” in this section.

On 31 August 2011, we have entered into a master purchase agreement with Samoa Group pursuant to which Samoa Group will sell tea leaves to us on a preferential basis and on 31 August 2011, we have entered into a master processing agreement with Samoa Group pursuant to which Samoa Group will provide processing services to enhance the quality of our lower-grade tea leaves which are in stock. Please see the section entitled “Connected Transactions” in this prospectus for details of such agreements.

Samoa Company has not been transferred to our Group as part of the Reorganisation primarily because our Founding Members (and Financial Investors) who are Taiwanese residents did not wish to violate the Taiwan/Mainland Investment Regulations and to put our Group at risk as a result of such violation. Given the above and the master processing agreement and the master purchase agreement entered into between Samoa Group and us with respect to the continuing connected transactions after the Listing as set out in the section entitled “Connected Transactions” in this prospectus, our Directors do not consider that it is necessary and in the best interests of our Group and the Shareholders as a whole to include any interest of Samoa Group in our Group at this stage. However, as confirmed by our Directors, depending on the then economic conditions and market circumstances, our Company would consider acquiring the Samoa Group pursuant to the option granted to us under the Non-competition Deed if there is relaxation of the Taiwan/Mainland Investment Regulations in the future and our acquisition and operation of Samoa Company become permitted under Taiwanese law.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

3. Uncle Lee's Tea Inc. was incorporated in the State of California, United States on 22 January 1988. Uncle Lee's Tea Inc. is owned as to 80% by Mr. Lee Chia Ling, 12% by Mr. Lee Kuo-Lin and 8% by various relatives of the Lee Family. It is principally engaged in the marketing and sales of tea bags under its "Uncle Lee's" brand in North and South America as well as Europe. Its products are sold through third-party retailers and distributors. Unlike Tenfu, Uncle Lee's Tea Inc. does not operate any retail shops. The business size of Uncle Lee's tea is set forth below:

	<u>Gross Revenue (US\$)</u>	<u>Number of Stores Owned/Operated</u>
2008.	4,286,392	Nil
2009.	4,261,593	Nil
2010.	4,040,355	Nil

Based on the differences in the business model and the operating territory, we believe that the business of Uncle Lee's Tea Inc. is different from ours.

Uncle Lee's Tea Inc. has not been transferred to our Group as part of the Reorganisation primarily due to the reason that the overall business focus of Uncle Lee's Tea Inc. is not in line with the development strategy of our Group. Given the above, our Directors do not consider that it is in the best interests of our Group and the Shareholders as a whole to include any interest in Uncle Lee's Tea Inc. in our Group at this stage.

4. Lu Yu was incorporated in Taiwan on 24 August 1980. It is wholly owned by Tensin Investment, which is held as to approximately 31.25%, 10% and 6.25% by Mr. Lee Shih-Wei, Mr. Lee Chia Ling and Mr. Lee Rie-Ho, respectively. The business size of Lu Yu is set forth below:

	<u>Revenue (NT\$)</u>	<u>Number of Stores Owned/Operated</u>
2008.	59,962,705	1
2009.	46,395,328	1
2010.	95,768,300	1

Lu Yu is principally engaged in the development and sale of tea ware in Taiwan and exclusively to Zhangzhou Tenfu in the PRC on a wholesale basis and we are principally engaged in the packaging, marketing and sale of tea leaves as well as the development and sale of tea snacks and tea ware in the PRC. As compared with Lu Yu, our Group has a wider scope of business. Lu Yu operates a showroom which also functions as a store in Taipei, Taiwan, and supplies tea ware developed by it and manufactured by external suppliers. Lu Yu sells tea ware to customers in Taiwan and exclusively to Zhangzhou Tenfu in the PRC on a wholesale basis while we sell tea ware designed and manufactured/sourced by external suppliers (including Lu Yu) to individual customers and third-party retailers located throughout different provinces in the PRC. Based on the differences in the business model and customer base, we believe that the business of Lu Yu is different from ours.

On 31 August 2011, we have entered into a master purchase agreement with Lu Yu pursuant to which Lu Yu will sell tea ware to us on an on-going basis. Please see the section entitled "Connected Transactions" in this prospectus for details of such agreement.

Lu Yu has not been transferred to our Group as part of the Reorganisation primarily due to the reason that the overall business focus of Lu Yu is not in line with the development strategy of our Group. Given the above and the master purchase agreement entered into between Lu Yu and us with respect to the continuing connected transactions after the Listing as set out in the section entitled "Connected Transactions" in this prospectus, our Directors do not consider that it is necessary and in the best interests of our Group and the Shareholders as a whole to include any interest in Lu Yu. in our Group at this stage.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Management Independence

The Board currently comprises five executive Directors, one non-executive Director and three independent non-executive Directors. Other than Mr. Lee Rie-Ho, Mr. Lee Shih-Wei and Mr. Lee Chia Ling, none of the other executive Directors holds any directorship or senior management role in any business, apart from the business operated by member of our Company, that competes or is likely to compete, directly or indirectly, with the business of our Company.

Since The KCL Trust does not have any business other than the holding of the shareholding interest in our Company, our Directors do not consider that there is any issue which will arise in relation to our management independence.

Notwithstanding the interests of our Controlling Shareholders in other companies outside of our Company, we consider that our Board will function independently from the Controlling Shareholders because:

1. Mr. Lee Rie-Ho and Mr. Lee Chia Ling are only shareholders with no executive function in Ten Ren. Lee Shih-Wei assumes non-executive directorship with Ten Ren;
2. each Director is aware of this fiduciary duties as a Director of our Company, which require, among other things, that he acts for the benefit and in the best interests of our Company and not allow any conflict between his duties as a Director and his personal interest;
3. in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates, the Articles of Association of our Company provides that the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be entitled to attend the relevant board meetings unless his/their presence at the meetings is/are expressly requested by a majority of our independent non-executive Directors; and
4. our Board comprised nine Directors, three of which are independent non-executive Directors. We believe that our independent non-executive Directors will bring independent judgement to the decision making process of our Board.

Operational Independence

Our operational decisions are made by our executive Directors and senior management, most of whom have served our Group for a long time and have substantial experience in the industry in which we are engaged. Most of our senior management are responsible for our daily operations and are independent from the Controlling Shareholders and their associates.

The organisational structure of our Group is made up of a number of departments, comprising administration department, procurement department, production department, enterprise planning department, sales and marketing department, accounting and finance department and research and development department. Each department takes a specific role in our Group's operations. There are internal control procedures to ensure effective operation of our Group's business. Accordingly, we can carry out our business operations independently.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Financial Independence

We have our own accounting system, accounting and finance department, and we make financial decisions according to our own business needs. The Directors confirm that as of the Latest Practicable date, there are no loans or guarantees provided by the Controlling Shareholders or their associates to us or for our benefit, and there are no loans or guarantees provided by us to the Controlling Shareholders or their associates. Therefore, there is no financial dependence on the Controlling Shareholders or their associates.

NON-COMPETITION DEED

For the purposes of the Listing, each of the Covenantors has entered into a Non-competition Deed pursuant to which each of them has jointly and severally, irrevocably and unconditionally, undertaken with our Company (for itself and for the benefit of each of the members of our Group) that with effect from Listing Date and until the earlier of the date that (i) the Shares are no longer listed on the Stock Exchange; or (ii) the date on which the Covenantors and the parties acting in concert with any of them together directly or indirectly hold less than 30% of the issued share capital of the Company, he/it shall not and shall procure that his/its associates (as defined in the Listing Rules and in the context of Mr. Lee Rie-Ho shall include for this purpose, each of his sons, daughters, step-sons and step-daughters) (other than the Group) shall not:

- (a) directly or indirectly engage, participate or hold any right or interest in or otherwise be involved in any business which is in competition with or may be in competition with the existing business activity of our Group or any business activities which our Group may undertake in the future (the “**Business**”);
- (b) take any direct or indirect action (including expansion of the Retained Manufacturing Business to other businesses by Mr. Lee Chia Ling) which constitutes an interference with or a disruption to the business activities of our Group including, but not limited to, solicitation of customers, suppliers and staff of our Group,

provided that:

- (i) subject to the due compliance with the Right of First Refusal (defined below) and the Option (defined below), Mr. Lee Chia Ling may continue to own interests in Samoa Company and operate the Retained Manufacturing Business;
- (ii) subject to the due compliance with the provisions of the Non-competition Deed, Mr. Lee Rie-Ho, Mr. Lee Chia Ling and their associates may continue to own interests in the Retained Ten Ren Business, the Retained Uncle Lee Business (provided that it only conducts business in North America, South America and Europe) and the Retained Sales Business; and
- (iii) subject to the due compliance with the provisions of the Non-competition Deed, Mr. Lee Rie-Ho may continue to act as a director of Lu Yu.

The restrictions set out above shall not apply to the Covenantors acquiring, holding, transferring, disposing or otherwise dealing in, directly or indirectly, shares of any company (whose shares are listed on the Stock Exchange or any other stock exchange) with any interest in the Business so long as (1) their aggregate interest in such company is less than 5%; and (2) they do not control more than 10% of the composition of the board of directors of such company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

In addition, Mr. Lee Chia Ling has undertaken with our Company (for itself and for the benefit of each of the members of our Group) that with effect from Listing Date and until the earlier of the date that (i) the Shares are no longer listed on the Stock Exchange; or (ii) the date on which the Covenantors and the parties acting in concert with any of them together directly or indirectly hold less than 30% of the issued share capital of the Company, he or his associates (other than the Group):

- (a) shall not dispose of his shares in Samoa Company and shall procure Samoa Company will not dispose of any of its core assets or business or interests in its subsidiaries, or any interest in the Retained Manufacturing Business to any person, without first offering to our Company the right to acquire such business or interest (the “**Right of First Refusal**”), and Mr. Lee Chia Ling may only proceed with such disposal to any third party, on terms not more favourable than those offered to our Company; and
- (b) shall, at our Company’s option exercisable upon notice to Mr. Lee Chia Ling, sell any part or all of his shares in Samoa Company and/or procure Samoa Company will sell any part or all of its assets or interests in its subsidiaries to the Group, at a price to be negotiated and agreed between the Company and Mr. Lee Chia Ling based on the consolidated net asset value of Samoa Company or the book value of the relevant assets of Samoa Company (the “**Option**”). The Option may be exercised separately, and at different times, in respect of parts or all of the Retained Manufacturing Business.

Furthermore, each of the Covenantors has jointly and severally, irrevocably and unconditionally, undertaken that if any new business opportunity relating to, or competing, or likely to compete with, the Business (the “**Business Opportunity**”) is made available to any of the Covenantors or their respective associates (other than our Company), he/it shall direct or procure the relevant associate to direct such Business Opportunity to our Company with such required information to enable our Company to evaluate the merits of the Business Opportunity. The relevant Covenantor shall provide or procure the relevant associate to provide all such reasonable assistance to enable our Company to secure the Business Opportunity on terms and conditions no less favourable than those offered to the Covenantor when the Business Opportunity first becomes available to the Covenantor. None of the Covenantors and their respective associates (other than our Company) will pursue the Business Opportunity until our Company, in its sole discretion, decides not to pursue the Business Opportunity. Any decision of our Company will have to be approved by the independent non-executive Directors taking into consideration our Company’s prevailing business and financial resources, the financial resources required for the Business Opportunity and (if necessary) any expert opinion on the commercial viability of the Business Opportunity.

Each of the Covenantors has further undertaken to abstain and refrain from, and shall procure that its respective associates shall abstain and refrain from, exercising its/his/her voting rights:

- (i) attached to shares in Ten Ren or any of its subsidiaries; and
- (ii) as a director of Ten Ren or any of its subsidiaries,

on any shareholders’ or board of directors’ resolutions, as the case may be, of Ten Ren or any of its subsidiaries which involves approving or sanctioning any business or action or otherwise which would or may result or lead to Ten Ren or any of its subsidiaries to be, directly or indirectly, in competition with the Business or otherwise conflict with the interests of the Company PROVIDED THAT each of the Covenantors shall, to the extent permitted under the listing rules of the Taiwan

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Stock Exchange, vote in favour of resolutions to approve the entering by Ten Ren or any of its subsidiaries of the Strategic Alliance Agreement or its renewal on terms which are no less favourable to the Company than the terms set out in the Strategic Alliance Agreement.

We shall adopt the following measures in relation to the compliance with the Non-competition Deed in order to protect the interests of our Shareholders:

- (a) our independent non-executive Directors shall review, at least on an annual basis, the compliance with the terms of the Non-competition Deed;
- (b) our independent non-executive Directors may (where necessary) engage consultants to advise them of the matters relating to the Non-competition Deed to be decided by them at our Company's costs;
- (c) we shall disclose any decisions reviewed by the independent non-executive Directors relating to compliance of the Non-competition Deed in our annual reports;
- (d) we shall disclose in the corporate governance report in our annual report a declaration on compliance with the terms of the Non-competition Deed by the Covenantors;
- (e) in the event that any of our Directors and/or their respective associates has a material interest in any matter to be deliberated by our Board in relation to the compliance with the Non-competition Deed, the relevant Director shall not attend the relevant Board meeting and vote on the relevant resolutions of the Board and shall not be counted towards the quorum for voting pursuant to applicable provisions in our Articles of Association; and
- (f) we shall make an announcement once the Company decides, with the approval of the independent non-executive Directors, not to pursue any Business Opportunity.

CONNECTED TRANSACTIONS

During the Track Record Period, we have entered into a number of related party transactions, details of which are set out in Note 35 to the Accountant’s Report in Appendix I to this prospectus. Save as described below, these related party transactions have discontinued before the Latest Practicable Date.

Upon the Listing of our Shares on the Stock Exchange, the following transactions will continue between our Group and our connected persons, which will constitute continuing connected transactions under the Listing Rules.

(A) CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM THE REPORTING, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS’ APPROVAL REQUIREMENTS

Lease Agreements with Various Connected Persons of our Company

We have been leasing properties in the PRC from various connected persons of our Company since 2009 and it is expected that we will continue to do so after the Listing. Each of these lease agreements will become a continuing connected transaction of our Company upon the Listing of our Shares on the Stock Exchange.

The details of the written lease agreements between our Group and each of the connected persons of our Company (the “**Exempt Lease Agreements**”) and the connected relationship are set out in the table below:

No.	Location	Member of our Group as tenant	Connected Party as landlord	Term and Rental (RMB)	Type of Premises
1.	Fujian ¹	福州天福茗茶銷售有限公司 (Fu Zhou Tian Fu Tea Sales Co., Ltd.)	Ms. Chen Xiu-Duan 陳秀端 (daughter-in-law of our Director, Mr. Lee Rie-Ho and wife of our Director, Mr. Lee Kuo-Lin)	Term: Three years from 10 September 2009 to 9 September 2012 Rental: 15,000/month	Store premises with a gross floor area of approximately 158.0 square meters
2.	Fujian ¹	福州天福茗茶銷售有限公司 (Fu Zhou Tian Fu Tea Sales Co., Ltd.)	Lee Min-Zun (our Director and cousin of Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, our Directors)	Term: Two years from 1 September 2010 to 31 August 2012 Rental: Monthly: 40,000 /month	Store premises with a gross floor area of approximately 87.9 square meters

CONNECTED TRANSACTIONS

No.	Location	Member of our Group as tenant	Connected Party as landlord	Term and Rental (RMB)	Type of Premises
3.	Henan	福州天福茗茶銷售有限公司 (Fu Zhou Tian Fu Tea Sales Co., Ltd.)	Xiamen Tenfu Industry Co., Ltd. (廈門天福實業有限公司) (a subsidiary of Samoa Group, which is wholly-owned by Mr. Lee Chia Ling, our Director)	Term: Five years from 1 October 2009 to 30 September 2014 Rental: 66,666.67 /month	Store premises with a gross floor area of approximately 275.5 square meters
4.	Hainan ¹	廣東天福茗茶銷售有限公司 (Guang Dong Tian Fu Tea Sales Co., Ltd.)	Mr. Lee Min-Zun (our Director and cousin of Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, our Directors)	Term: One year from 1 January 2011 to 31 December 2011 Rental: 30,000 /month	Store premises with a gross floor area of approximately 376.3 square meters
5.	Hubei	湖北天福茗茶銷售有限公司 (Hu Bei Tian Fu Tea Sales Co., Ltd.)	Mr. Lee Kuo-Lin (our Director and son of Mr. Lee Rie-Ho, our Director and Chairman)	Term: Three years from 1 July 2010 to 30 June 2013 Rental: 1 July 2010 to 30 June 2011: 70,000 /month; 1 July 2011 to 30 June 2012: 72,100/month; 1 July 2012 to 30 June 2013: 74,263/month.	Store premises with a gross floor area of approximately 584.3 square meters
6.	Shandong	濟南天福茗茶銷售有限公司 (Jinan Tenfu Tea Co., Ltd.)	Mr. Lee Shih-Wei (our Director and nephew of our Director and Chairman)	Term: Two years from 1 November 2009 to 31 October 2011 Rental: 17,500/month	Store premises with a gross floor area of approximately 158.9 square meters

CONNECTED TRANSACTIONS

No.	Location	Member of our Group as tenant	Connected Party as landlord	Term and Rental (RMB)	Type of Premises
7.	Heilongjiang	吉林省天福茗茶銷售有限公司 (Jilin Province Tian Fu Tea Sales Co., Ltd.)	Ms. Zhou Nan-Nan 周楠楠 (daughter-in-law of our Director, Mr. Lee Rie-Ho and wife of our Director, Mr. Lee Chia Ling)	Term: Three years from 15 August 2010 to 14 August 2013 Rental: 29,000 /month	Store premises with a gross floor area of approximately 643.6 square meters
8.	Shanghai ¹	上海天福茗茶銷售有限公司 (Shanghai Tenfu Tea Co., Ltd.)	Ms. Chen Xiu-Duan 陳秀端 (daughter-in-law of our Director, Mr. Lee Rie-Ho and wife of our Director, Mr. Lee Kuo-Lin)	Term: Two years from 1 September 2010 to 31 August 2012 Rental: 7,900/month	Store premises with a gross floor area of approximately 143.6 square meters
9.	Xinjiang	新疆天福茗茶銷售有限公司 (Xin Jiang Tian Fu Tea Sales Co., Ltd.)	Mr. Lee Chien-Te 李建德 (cousin of Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, our Directors)	Term: Three years from 1 August 2009 to 30 July 2012 Rental: 35,000/month	Store premises with a gross floor area of approximately 70.0 square meters

Note 1: As the continuing connected transactions under items 1 and 8; and items 2 and 4 are with the same landlord, their respective applicable ratios have been aggregated.

Rental for each of the Exempt Lease Agreements was negotiated between our Group and the relevant connected person of our Company with reference to the then prevailing market rates. Vigers Appraisal & Consulting Limited, our property valuer, confirmed that the rent payable under each of the Exempt Lease Agreement is comparable to the prevailing market rates for properties of similar quality in neighboring areas to which the premises are located.

Given that each of the Exempt Lease Agreements was entered into based on the prevailing market rates, our Directors (including our independent non-executive Directors) consider that the rent of the respective Exempt Lease Agreements is fair, reasonable, and the Exempt Lease Agreements were entered into on normal commercial terms.

As the applicable ratios (other than the profits ratio) for the above Exempt Lease Agreements on an annual basis are less than 0.1%, the above transactions will constitute continuing connected transactions for our Company which are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

(B) CONTINUING CONNECTED TRANSACTIONS WHICH ARE SUBJECT TO THE REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS BUT EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

Master Purchase Agreement with Lu Yu

We have been purchasing tea ware from Lu Yu as part of our ordinary and usual course of business. As Lu Yu is wholly owned by Tensin Investment, which is held as to approximately 31.25% by Mr. Lee Shih-Wei, our Director, the purchase of tea ware by our Group from Lu Yu will constitute a continuing connected transaction for our Company upon Listing.

For the three years ended 31 December 2010 and the three months ended 31 March 2011, the amounts that our Group paid to Lu Yu for the purchase of tea ware were approximately RMB1,431,000, RMB2,530,000, RMB14,606,000 and RMB3,727,000, respectively.

On 31 August 2011, we entered into a master purchase agreement with Lu Yu (the “**Lu Yu Master Purchase Agreement**”) which will become effective on the Listing Date, pursuant to which we agreed to purchase or procure members of our Group to purchase tea ware from Lu Yu for an initial term of three years subject to an annual cap not exceeding RMB20,000,000, RMB22,000,000 and RMB24,000,000 for each of the three financial years ending 31 December 2011, 2012 and 2013, respectively. The annual caps have been determined based on the projected 30% increase in the market demand of tea ware with reference to the market rates for similar tea ware, which we purchased from Independent Third Parties. The substantial increase in transaction volume is a result of the expected increase in the market demand for tea ware and the expected increase of sales of tea ware by our Group. In arriving at the annual caps, our Directors have considered (1) the historical transaction amount for the supply of tea ware by Lu Yu; (2) the market recognition and acceptance of the Lu Yu brand; (3) the actual sales of Lu Yu tea ware in 2011; and (4) the expected future growth of our tea ware business. Subject to compliance with the Listing Rules, our Group has an option to renew the Lu Yu Master Purchase Agreement indefinitely.

Given that tea ware is being purchased based on prevailing market rates, our Directors (including the independent non-executive Directors) consider that the Lu Yu Master Purchase Agreement was entered into on normal commercial terms and the transactions contemplated thereunder are fair and reasonable and in the interests of our Company and our Shareholders as a whole. As the applicable ratios (other than the profits ratio) for the Lu Yu Master Purchase Agreement are expected to be more than 0.1% but less than 5.0% on an annual basis, the transactions under the Lu Yu Master Purchase Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Master Processing Agreement with Samoa Group

Samoa Group is expected to provide processing services to us. Such services involve reprocessing our blended, aged tea leaves so as to enhance their quality. Such aged tea leaves refer to our Group's tea leaves which have nearly reached the end of their quality guarantee period of one or two years depending on the kind of tea leaves. Although the aged tea leaves are still good for consumption, the intensity of the tea scent and quality of the tea leaves have been lost and will require further roasting/processing to enhance their quality. As we have placed the quality guarantee period on the packaging of the tea leaves, we and our third-party retailers are able to identify the nearly aged tea leaves which require processing. Samoa Group was held by Mr. Lee Rie-Ho, Mr. Lee Kuo-Lin and Mr. Lee Shih-Wei as to 45%, 45% and 10%, respectively prior to the transfer of their respective equity interests to Mr. Lee Chia Ling on 31 January 2011. As Samoa Group is wholly owned by Mr. Lee Chia Ling, our Director, the provision of processing services by Samoa Group to our Group will constitute a continuing connected transaction for our Company upon the Listing.

Historically, Samoa Group did not provide such processing services to our Group. Instead, our Group had sold such aged tea leaves to Samoa Group based on prevailing market prices. Samoa Group would reprocess these tea leaves to enhance their quality and supply such reprocessed tea (which might have been reprocessed with other processed enhanced tea which we previously sold to Samoa Group) based on prevailing market rates. For the three years ended 31 December 2010 and the three months ended 31 March 2011, the amounts of such tea leaves that our Group sold to Samoa Group were approximately RMB4,996,000, RMB17,277,000, RMB14,828,000 and RMB11,243,000, respectively and the volume of such aged tea leaves that our Group sold to Samoa Group was in the amount of approximately 77,418.3 kilograms, 328,670.1 kilograms, 200,305.5 kilograms and 99,520.3 kilograms, respectively. Information regarding the historical amounts of purchases by us of the reprocessed tea leaves were not separately maintained and hence are not available.

From April 2011, we decided to alter our arrangement with Samoa Group with respect to the above in order to accurately reflect the processing services. Accordingly, on 31 August 2011, we entered into a master processing agreement with Samoa Group (the "**Master Processing Agreement**") which will become effective on the Listing Date, pursuant to which Samoa Group agreed to provide processing services to enhance the quality of such tea leaves for a term of three years subject to an annual cap not exceeding RMB3,000,000, RMB3,000,000 and RMB3,000,000 for each of the three financial years ending 31 December 2011, 2012 and 2013, respectively. The annual caps have been determined based on the market price charged by Independent Third Parties for provision of similar services and the estimated annual aged tea leaves in the amount of 200,000.0 kg to be identified by us and returned from our third-party retailers. In arriving at the annual caps, our Directors have considered (1) the tea leaves processed by Samoa Company are of good quality and are suitable for our use; (2) the processing fee of RMB15.0 per kilogram, which was agreed between our Group and Samoa Group after arm's length negotiation and based on the market price charged by Independent Third Parties for provision of similar services; and (3) the annual historical amount of aged tea leaves that require processing in the previous year, which is expected to remain steady.

CONNECTED TRANSACTIONS

Given that the processing services are provided based on prevailing market rates, our Directors (including our independent non-executive Directors) consider that the Master Processing Agreement was entered into on normal commercial terms and the transactions contemplated thereunder are fair and reasonable and in the interests of our Company and our Shareholders as a whole. As the applicable ratios (other than the profits ratio) for the Master Processing Agreement are expected to be more than 0.1% but less than 5% on an annual basis, the transactions under the Master Processing Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Lease Agreements with Mr. Lee Chia Ling

We have been leasing various properties in the PRC from Mr. Lee Chia Ling, our Director, since 2009 and it is expected that we will continue to do so after Listing. As Mr. Lee Chia Ling is our connected person, each of the lease agreements will become a continuing connected transaction of our Company upon the Listing.

For the three years ended 31 December 2010 and the three months ended 31 March 2011, the amount of rental paid by our Group in respect of the lease agreements between our Group and Mr. Lee Chia Ling were zero, approximately RMB632,000, RMB1,025,000 and RMB300,000, respectively.

Details of the written lease agreements between our Group and Mr. Lee Chia Ling (the "Non-exempt Lease Agreements") are set out in the table below:

No.	Location	Member of our Group as tenant	Landlord(s)	Term and Rental (RMB)	Type of Premises
1.	Fujian	福建天福茗茶銷售有限公司 Fujian Tenfu Sales	Mr. Liu Chang-An and Mr. Lee Chia Ling	Term: Three years from 18 September 2009 to 17 September 2012 Rental: 25,000 /month	Store premises with a gross floor area of approximately 166.6 square meters
2.	Liaoning	吉林省天福茗茶銷售有限公司 (Jilin Province Tian Fu Tea Sales Co., Ltd.)	Mr. Lee Chia Ling	Term: Three years from 23 September 2009 to 23 September 2012 Rental: 30,000 /month	Store premises with a gross floor area of approximately 690.8 square meters
3.	Sichuan	四川天福茗茶銷售有限公司 (Sichuan Tenfu Tea Sales Co., Ltd.)	Mr. Lee Chia Ling	Term: Two years from 19 May 2011 to 18 May 2013 Rental: 57,500 /month	Store premises with a gross floor area of approximately 627.8 square meters

CONNECTED TRANSACTIONS

Rental for each of the above lease agreements was negotiated between the landlord(s) and the relevant member of our Group with reference to the then prevailing market rates. Vigers Appraisal & Consulting Limited, our property valuer, confirmed that the rent payable under the Non-exempt Lease Agreements is comparable to the prevailing market rates for properties of similar quality in neighboring areas to which the premises are located.

Given that the Non-exempt Lease Agreements were entered into based on prevailing market rates, our Directors (including our independent non-executive Directors) consider that the rent of each of the respective Non-exempt Lease Agreements is fair, reasonable, and the lease agreements was entered into on normal commercial terms.

It is expected that the aggregate annual rental for each of the three financial years ending 31 December 2013 payable by our Group in respect of the Non-exempt Lease Agreements will not exceed the maximum annual cap of RMB1,350,000, RMB1,185,000 and RMB288,000, respectively. The rental payable under the Non-exempt Lease Agreements are payable on a monthly basis and were determined after arm's length negotiations with reference to the prevailing market rates for comparable properties. As the aggregate applicable ratios (other than the profits ratio) for the Non-exempt Lease Agreements are expected to be more than 0.1% but less than 5% on an annual basis, the transactions under the Non-exempt Lease Agreements constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(C) CONTINUING CONNECTED TRANSACTIONS WHICH ARE SUBJECT TO THE REPORTING, ANNUAL REVIEW AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

Master Purchase Agreement with Samoa Group

We have been purchasing tea leaves from Samoa Group as part of our ordinary and usual course of business. Samoa Group was held by Mr. Lee Rie-Ho, Mr. Lee Kuo-Lin and Mr. Lee Shih-Wei as to 45%, 45% and 10%, respectively prior to the transfer of their respective equity interests to Mr. Lee Chia Ling on 31 January 2011. As Samoa Group is wholly owned by Mr. Lee Chia Ling, our Director, the purchase of tea leaves by our Group from Samoa Group will constitute a continuing connected transaction for our Company upon the Listing.

For the three years ended 31 December 2010 and the three months ended 31 March 2011, the amount of tea leaves that our Group purchased from Samoa Group were approximately RMB32,180,000, RMB73,583,000, RMB83,870,000 and RMB21,159,000, respectively.

On 31 August 2011, we entered into a master purchase agreement with Samoa Group (the "Samoa Master Purchase Agreement") which will become effective on the Listing Date, pursuant to which we agreed to purchase or procure members of our Group to purchase tea leaves from Samoa Group for an initial term of three years subject to an annual cap not exceeding RMB94,000,000, RMB108,100,000 and RMB124,300,000 for each of the three financial years ending 31 December 2011, 2012 and 2013, respectively. The annual caps have been determined based on the projected 15.0% increase in demand of tea leaves by our Group with reference to the market rates for tea leaves, which our Group purchased from Independent Third Parties. In arriving at the annual caps, our Directors have considered (1) the actual transaction amount for the purchase of tea leaves from Samoa Group for the year ended 31 December 2010; and (2) the expected amount of growth of tea leaves market in the future. Subject to compliance with the Listing Rules, our Group has option to renew the Samoa Master Purchase Agreement for a further term of three years indefinitely.

CONNECTED TRANSACTIONS

Given that the tea leaves are being purchased based on prevailing market rates, our Directors (including our independent non-executive Directors) consider that the Samoa Master Purchase Agreement was entered into on normal commercial terms and the transactions contemplated thereunder are fair and reasonable and in the interests of our Company and our Shareholders as a whole. As the applicable ratios (other than the profits ratio) for the Samoa Master Purchase Agreement are expected to be more than 5% and the annual consideration is more than HK\$10,000,000 on an annual basis, the transactions under the Samoa Master Purchase Agreement will constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONFIRMATIONS

Directors' Confirmation

Our Directors (including our independent non-executive Directors) consider that disclosure and approval of these transactions in full compliance with the Listing Rules would be impracticable and, in particular, add unnecessary administrative costs to our Company. In addition, our Directors believe that it is the interests of our Company to continue with these transactions after Listing of its shares on the Stock Exchange. They also consider that all the continuing connected transactions as set out in paragraphs (B) and (C) above are in the interests of our Company and our Shareholders as a whole and are in the ordinary and usual course of our business. Our Directors (including our independent non-executive Directors) are also of the view that the annual caps of all of the continuing connected transactions in paragraphs (B) and (C) above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Sponsors' Confirmation

After review of the relevant documentation and historical figures provided by us, the Joint Sponsors are of the opinion that (i) the terms of the agreements in relation to the continuing connected transactions referred to in paragraphs (B) and (C) above will be entered into in the ordinary and usual course of business of our Company and on normal commercial terms which are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the annual caps for the continuing connected transactions referred to in paragraphs (B) and (C) above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

WAIVER FROM THE STOCK EXCHANGE

On the basis of the above, we have applied to the Stock Exchange for a waiver under Rule 14A.42(3) of the Listing Rules from strict compliance with the announcement and independent shareholders' approval requirements under Rules 14A.47 and 14A.48 of the Listing Rules at the time of the Listing of our Shares on the Stock Exchange in respect of the continuing connected transactions described in this section, subject to the conditions that such transactions are being carried out in compliance with the requirements of the Listing Rules and that we shall comply with the relevant requirements for the continuing connected transactions in accordance with Chapter 14A of the Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our Board consists of nine directors, three of whom are independent non-executive Directors. The powers and duties of our Board include:

- convening shareholders' meetings and reporting the Board's work at shareholders' meetings;
- implementing the resolutions passed at shareholders' meetings;
- determining our business plans and investment plans;
- formulating our annual budget and final accounts;
- formulating our proposals for profit distributions and for the increase or reduction of our share capital; and
- exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association.

We have entered into service contracts with each of our executive Directors and non-executive Director, and letters of appointment with our independent non-executive Directors. The table below sets forth the age and designation of each of our Directors:

Name	Age	Position	Date of Appointment	Responsibilities
Lee Rie-Ho . . .	75	Executive Director and Chairman	22 April 2010	Overall corporate strategy, expansion and investment decisions
Lee Shih-Wei .	51	Executive Director and Vice Chairman	31 August 2011	Management of our Group and coordination of our factory operations and retail business
Lee Chia Ling.	48	Executive Director and Chief Executive Officer	22 April 2010	Overall management, business development, daily operation, implementation of business strategies
Lee Kuo-Lin . .	49	Executive Director and Chief Operating Officer	31 August 2011	Overall management of tea processing operations
Lee Min-Zun .	46	Executive Director and Chief Financial Officer	31 August 2011	Operations of corporate finance and overall financial and accounting affairs of our Group

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position	Date of Appointment	Responsibilities
Tseng Ming-Sung	54	Non-executive Director	31 August 2011	Advice on overall corporate finance plans of our Group
Lo Wah Wai	47	Independent non-executive Director	31 August 2011	Independent advice to the Board
Lee Kwan Hung	46	Independent non-executive Director	31 August 2011	Independent advice to the Board
Fan Ren Da, Anthony	51	Independent non-executive Director	31 August 2011	Independent advice to the Board

Executive Directors

LEE Rie-Ho (李瑞河), aged 75, is Chairman of our Group and an executive Director of our Board. He was appointed our Director and Chairman on 22 April 2010 and was redesignated as an executive Director on 31 August 2011. Mr. Lee is also a member of the remuneration committee of our Company. He is primarily responsible for our overall corporate strategy, expansion and investment decisions. Mr. Lee has over 60 years of experience in the tea industry. He is one of the founders of our Group and has served as our Chairman since 1993. Before co-founding our Group in 1993, Mr. Lee founded Ten Ren in 1975 in Taiwan. Ten Ren is in the business of the manufacturing and retail sales of tea leaves and various tea products through its self-operated and franchise stores in Taiwan, the United States and Canada. Ten Ren has been listed on the main board of the Taiwan Stock Exchange (Stock code: 1233) since 1999. Mr. Lee has extensive personal and business connections in the tea industry. He was named “Worldwide King of Tea (世界茶王)” by People’s Daily (人民日報) in 2000. Mr. Lee is the father of Mr. Lee Chia Ling and Mr. Lee Kuo-Lin and the uncle of Mr. Lee Shih-Wei and Mr. Lee Min-Zun.

With extensive experience in the tea industry, Mr. Lee has led our Group to become a leader in the tea industry in the PRC by promoting our Group’s business and developing a well-known premium brand.

In January 1991, Mr. Lee as the then chairman of 天仁綜合證券股份有限公司 (Ten Ren Securities Co., Ltd.*) (“Ten Ren Securities”) together with two other defendants who were persons responsible for Ten Ren Securities at the time, were each charged with a criminal offence as a result of the violation by Ten Ren Securities of Article 60 of the Securities and Exchange Act in Taiwan, which provided that a securities firm was not permitted to engage in deposit taking, extending of loans to others, or act as the agent or intermediary for money or securities lending without having obtained the approval from the competent authority. Ten Ren Securities engaged in money lending and provision of credit lines to clients for securities trading without prior approval from the competent authority in Taiwan from February 1990 to June 1990, which resulted in financial loss to certain individuals. Mr. Lee was found liable for breach of duties in connection with Ten Ren Securities on the basis that significant financial activities of Ten Ren Securities ought to have been reported to and approved by Mr. Lee, as the then Chairman of Ten Ren Securities, and that he should have been aware of the violation by Ten Ren Securities. Mr. Lee was sentenced to six months’ imprisonment and a fine of 50,000 Yuan (old Taiwan currency equivalent to NT\$150,000) at the Taipei District Court while the other two defendants were sentenced to nine months’ imprisonment and a fine of 60,000 Yuan (old Taiwan currency equivalent to NT\$180,000).

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The Taipei District Court judgment which imposed a six months' imprisonment sentence and a fine of 50,000 Yuan (old Taiwan currency equivalent to NT\$150,000) on Mr. Lee was subsequently vacated upon Mr. Lee's appeal to the Taiwan High Court in September 1991. The Taiwan High Court suspended Mr. Lee's sentence subject to a two-year probation. Although the other two defendants also made appeal to the Taiwan High Court, they were sentenced to six months' imprisonment and a fine of 50,000 Yuan (old Taiwan currency equivalent to NT\$150,000) and seven months' imprisonment and a fine of 50,000 Yuan (old Taiwan currency equivalent to NT\$150,000), respectively, without the grant of any probation. The Taiwan High Court further noted that the incident did not result in material social damage, as Mr. Lee had acted responsibly and made efforts on his own accord to reach settlement with the affected individuals.

Based upon the information obtained from the Taipei City Government by our Company's Taiwan legal advisers, Mr. Lee was acting as the Chairman of Ten Ren Securities in the capacity of the representative of 天信投資股份有限公司 (Ten Shin Investment Company Limited*), which was the largest shareholder and held 4,000,000 shares of Ten Ren Securities (accounting for approximately 13% shareholding) at its incorporation. After the occurrence of the above incident, Ten Shin Investment Company disposed of all its shares in Ten Ren Securities and Mr. Lee ceased to be chairman of Ten Ren Securities in June 1991. As a result, he has not been connected with Ten Ren Securities since then. Thereafter, to the knowledge of Mr. Lee, Ten Ren Securities was re-named as 天仁國際投資股份有限公司 (Ten Ren International Investment Company Limited*) ("Ten Ren International") and changed its business scope in 2001. Based on an online corporate registry search, Ten Ren International was dissolved in 2009. The incident described in the preceding two paragraphs took place almost 20 years ago and, as confirmed by Mr. Lee, no similar incidents have occurred in the past 20 years, he has not committed any criminal offence in Hong Kong, has not been involved in similar securities business and has concentrated on the tea business after the incident.

As confirmed by our Taiwan legal advisers, the description of each of the judgment of the Taipei District Court and the Taiwan High Court referred to above is an accurate summary of the actual judgment with respect to the same. Notwithstanding Mr. Lee's criminal record as a result of the above judgment of the Taiwan High Court, which remained on the records of the Taiwan High Court as of the Latest Practicable Date, a Police Criminal Record Certificate dated 2 June 2011 has been issued by the Taiwan police department pursuant to the Act Governing Issuance of Police Criminal Record Certificates in Taiwan to certify that up to the date of the certificate, Mr. Lee did not have any criminal record arising from an imprisonment sentence which has been executed. As advised by our Taiwan legal advisers, according to the Act Governing Issuance of Police Criminal Record Certificates in Taiwan, Taiwan residents are eligible to apply for a Police Criminal Record Certificate in Taiwan and, where an applicant was sentenced to serve probation (i.e. suspension of sentence) and which probation has not been subsequently revoked at the expiry of the probation period (such as in Mr. Lee's case as described above), such criminal records will be excluded from the Police Criminal Record Certificate.

In recognition of Mr. Lee's character, integrity and contribution to the local development of Zhangzhou, Mr. Lee Rie-Ho was awarded honorary citizenship by the People's Government of Zhangzhou in 2000. Since 2000, Mr. Lee has also been appointed as the Citizen Supervisor of Police Discipline (警風廉政監督員) in Zhangzhou. As part of the selection criteria of the PRC authorities, preferable candidates of Citizen Supervisor of Police Discipline include deputies of People's Congress, members of People's Political Consultative Conference, journalists and well-known persons in the community and only candidates with a strong sense of responsibility, care and support for public security work may be reappointed.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

LEE Shih-Wei (李世偉), aged 51, is an executive Director of our Board and the Vice Chairman of our Group. He was appointed our executive Director on 31 August 2011. Mr. Lee is one of the founders of our Group, and is primarily responsible for the management of our Group and coordination of our factory operations and retail businesses. He has been a director of our Group since 1997. Mr. Lee has more than 25 years of experience in the tea industry. Between 1987 and 1998, he worked for Ten Ren in Taiwan, and acted as the head of the international trading department of Ten Ren since 1987. Mr. Lee has been a director of Ten Ren since 2007. Mr. Lee joined our Group in 1993 and served as the general manager of 福州天福茶業有限公司 (Fuzhou Tianfu Tea Industry Co., Ltd.*) from 1993 to 1997. Mr. Lee is a nephew of Mr. Lee Rie-Ho and a cousin of both Mr. Lee Kuo-Lin and Mr. Lee Chia Ling. He graduated from National Chung Hsing High School (previously known as Taiwan Provincial Chung Hsing High School) in 1978.

LEE Chia Ling (李家麟), aged 48, is an executive Director of our Board and the Chief Executive Officer of our Group. He was appointed our Director on 22 April 2010 and was designated as an executive Director on 31 August 2011. He is also a member of the remuneration committee of our Company. Mr. Lee is one of the founders of our Group and is primarily responsible for our overall management, business development and the daily operations of our Group as well as the implementation of our business strategies. He has more than 20 years of experience in the tea industry. Mr. Lee joined Ten Ren as an executive assistant to the manager of tea business development in 1991 and was then appointed as the executive assistant to the chairman (董事長特別助理) in Taiwan, responsible for assisting the chairman with the overall management of Ten Ren, and subsequently became a director of the domestic sales department of Ten Ren in Taiwan in the same year. Mr. Lee joined our Group as the deputy general manager (副總經理) in 1996 and was appointed as general manager in 1997. Mr. Lee is the son of Mr. Lee Rie-Ho and the younger brother of Mr. Lee Kuo-Lin. He obtained a master's degree in business administration from Oklahoma City University in the United States in 1990.

LEE Kuo-Lin (李國麟), aged 49, is an executive Director of our Board and the Chief Operating Officer of our Group. He was appointed our executive Director on 31 August 2011. Mr. Lee is also a member of the nomination committee of our Company. He is primarily responsible for the overall management of our tea processing operations. Mr. Lee has more than 20 years of experience in the tea industry. Before joining us, between 1989 to 1997, Mr. Lee worked for and eventually became the chief executive officer of Uncle Lee's Tea Inc. based in the United States. Mr. Lee is the chairman of certain subsidiaries of our Group, including 漳州天福茶業有限公司 (Zhangzhou Tianfu Tea Industry Co., Ltd.*) since 1998, and 漳浦天福觀光茶園有限公司 (Zhangpu Tian Fu Tea Garden Co., Ltd.*) since 1999. Mr. Lee is the son of Mr. Lee Rie-Ho and the elder brother of Mr. Lee Chia Ling. He received his associate in arts degree from Los Angeles City College in the United States in 1988.

LEE Min-Zun (李銘仁), aged 46, is an executive Director of our Board and the Chief Financial Officer of our Group. He is also one of the authorised representatives of our Company. He was appointed our executive Director on 31 August 2011. Mr. Lee is primarily responsible for the corporate finance operations and the overall financial and accounting affairs of our Group. He has over 10 years of finance experience. Before joining us, Mr. Lee was the assistant and deputy general manager of the corporate finance department of Ten Ren in 1999 and 2000, respectively and was responsible for its general financial affairs. Mr. Lee has been the supervisor (監察人) of Ten Ren since 2004. Mr. Lee is a nephew of Mr. Lee Rie-Ho and a cousin of both Mr. Lee Kuo-Lin and Mr. Lee Chia Ling. He graduated from Northrop University in the United States with a master's degree in business administration in 1989.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Non-executive Director

TSENG Ming-Sung (曾明順), aged 54, is a non-executive Director of our Board. He was appointed our non-executive Director on 31 August 2011. Mr. Tseng is also a member of the audit committee of our Company. Mr. Tseng is one of the founders of our Group and is responsible for advising on the overall corporate finance plans of our Group. Mr. Tseng has been the chief executive officer of 天心中醫醫院 (Ten Xin Traditional Chinese Medicine Hospital*) since 1998. He is also the director of the following entities: 天心堂參藥股份有限公司 (Ten Xin Ginseng Company Limited*) since 1998, 天廬育樂事業股份有限公司 (Ten Lu Entertainment Co. Ltd.*) since 2003, 太仁開發事業股份有限公司 (Tai Ren Development Co., Ltd.*) since 2003, 天仁茶藝文化基金會 (Ten Ren Tea Culture Foundation*) since 1994, and 天福投資股份有限公司 (Ten Fu Investment Co. Ltd.*) since 2010. Mr. Tseng obtained a bachelor's degree in mechanical engineering from Chung Yuan Christian University in Taiwan in 1979.

Independent Non-executive Directors

Mr. LO Wah Wai (盧華威), aged 47, is an independent non-executive Director. He was appointed our independent non-executive Director on 31 August 2011. Mr. Lo holds a bachelor's degree in business administration from the Chinese University of Hong Kong and a master's degree in management science from New Jersey Institute of Technology in the United States. He is a practising member of the Hong Kong Institute of Certified Public Accountants and is a member of the American Institute of Certified Public Accountants. Mr. Lo has more than 20 years' service experience in auditing and business consulting services, in which he had more than seven years' experience in auditing and business consulting services in an international accounting firm (Deloitte Touche Tohmatsu), of which two years were spent in the United States.

Mr. Lo is the independent non-executive director of Chongqing Machinery & Electric Co., Ltd. (Stock Code: 2722), a company listed on the Main Board of the Stock Exchange. Mr. Lo was an independent non-executive director of Far East Pharmaceutical Technology Limited in September 2004, a company listed on the Main Board of the Stock Exchange whose subsidiaries are principally engaged in the manufacturing and distribution of pharmaceutical products. A petition was filed on 15 September 2004 to wind up Far East Pharmaceutical Technology Limited in respect of the default of a syndicated bank loan and since then, liquidators have been appointed. Mr. Lo was not involved in the arrangement of the syndicated bank loan and his appointment was made after the said default had occurred.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Lee Kwan Hung (李均雄), aged 46, is an independent non-executive Director. He was appointed our independent non-executive Director on 31 August 2011. Mr. Lee received his Bachelor of Laws (Honours) degree and Postgraduate Certificate in Laws from the University of Hong Kong in 1988 and 1989 respectively. He was then admitted as a solicitor in Hong Kong in 1991 and the United Kingdom in 1997. Mr. Lee was a senior manager of the Listing Division of the Stock Exchange from 1993 to 1994 and was a partner of a leading law firm in Hong Kong from 2001 to 2011. He is currently an independent non-executive director of several listed companies, the details of which are set out in the table below:

Terms of Office	Position	Name of Company
November 2005 ~ present . .	independent non-executive director	GZI REIT Asset Management Limited (越秀房託資產管理有限公司), listed on the Stock Exchange
November 2006 ~ present . .	independent non-executive director	Embry Holdings Limited (安莉芳控股有限公司), listed on the Stock Exchange
June 2008 ~ present	independent non-executive director	NetDragon Websoft Inc. (網龍網絡有限公司), listed on the Stock Exchange
January 2009 ~ present	independent non-executive director	Asia Cassava Resources Holdings Limited (亞洲木薯資源控股有限公司), listed on the Stock Exchange
November 2009 ~ present . .	independent non-executive director	Futong Technology Development Holdings Limited (富通科技發展控股有限公司), listed on the Stock Exchange
June 2010 ~ present	independent non-executive director	New Universe International Group Limited (新宇國際實業(集團)有限公司), listed on the Stock Exchange
December 2010 ~ present . .	independent non-executive director	Newton Resources Ltd (新礦資源有限公司), listed on the Stock Exchange
February 2011 ~ present . . .	independent non-executive director	Walker Group Holdings Limited (盈進集團控股有限公司), listed on the Stock Exchange

Mr. Lee was also formerly a non-executive director of Mirabell International Holdings Limited and GST Holdings Limited prior to their privatisations.

Based on the interview conducted by the Joint Sponsors with Mr. Lee, the Joint Sponsors do not believe that the various positions currently held by Mr. Lee would result in Mr. Lee not having sufficient time to act as an independent non-executive Director or not properly discharging his fiduciary duties as a director of our Company.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Fan Ren Da, Anthony (范仁達), aged 51, is an independent non-executive Director. He was appointed our independent non-executive Director on 31 August 2011. Mr. Fan holds a master's degree in business administration from the University of Dallas in the United States. He is currently the chairman of AsiaLink Capital Limited (東源資本有限公司). Mr. Fan is an independent non-executive director of several listed companies, the details of which are set out in the table below:

Terms of Office	Position	Name of Company
1994 ~ present	independent non-executive director	Raymond Industrial Limited (利民實業有限公司), listed on the Stock Exchange
2000 ~ present	independent non-executive director	Citic Resources Holdings Limited (中信資源控股有限公司), listed on the Stock Exchange
2007 ~ present	independent non-executive director	Uni President China Holdings Limited (統一企業中國控股有限公司), listed on the Stock Exchange
2007 ~ present	independent non-executive director	Shenzhen World Union Properties Consultancy Co., Ltd. (深圳世聯地產顧問股份有限公司), listed on the Shenzhen Stock Exchange
2008 ~ present	independent non-executive director	Renhe Commercial Holdings Company Limited (人和商業控股有限公司), listed on the Stock Exchange
2008 ~ present	independent non-executive director	Hong Kong Resources Holdings Company Limited (香港資源控股有限公司), listed on the Stock Exchange
2010 ~ present	independent non-executive director	Shanghai Industrial Urban Development Group (上海實業城市開發集團有限公司), listed on the Stock Exchange

Based on the interview conducted by the Joint Sponsors with Mr. Fan, the Joint Sponsors do not believe that the various positions currently held by Mr. Fan would result in Mr. Fan not having sufficient time to act as an independent non-executive Director or not properly discharging his fiduciary duties as a director of our Company.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

None of the independent non-executive Directors have, by himself or through the firm in which he practices, provided professional services to us during the Track Record Period.

Save as disclosed herein, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

The table below sets forth the age and designation of each of our Senior Management:

Name	Age	Position
Lee Rie-Ho ^Δ	75	Executive Director and Chairman
Lee Shih-Wei ^Δ	51	Executive Director and Vice Chairman
Lee Chia Ling ^Δ	48	Executive Director and Chief Executive Officer
Lee Kuo-Lin ^Δ	49	Executive Director and Chief Operating Officer
Lee Min-Zun ^Δ	46	Executive Director and Chief Financial Officer
Lee Shen-Chih	66	Deputy President
Lee Mao-Ling	49	Deputy General Manager of the General Administration Department (1st Division)
Lee Yen-Ping	41	Head of the Marketing and Enterprise Planning Department

^Δ Details of the qualifications and experience of Mr. Lee Rie-Ho, Mr. Lee Shih-Wei, Mr. Lee Chia Ling, Mr. Lee Kuo-Lin and Mr. Lee Min-Zun are set out in the paragraph headed “Executive Directors” in this section.

LEE Shen-Chih (李勝治), aged 66, is our Deputy President. He is responsible for procurement of raw materials, market research, and formulating and executing our overall production and procurement strategies. He joined our Group in 2007. He graduated from the University of Texas at Austin in the United States with a master’s degree in social work studies in 1985. Mr. Lee was the chairman of Ten Ren between 1990 and 2007, and has been the director of 天仁茶藝文化基金會 (Ten Ren Tea Culture Foundation*) since 1991, 陸羽茶藝股份有限公司 (Lu Yu Tea Artcraft Co., Ltd.*) since September 1993, and 天盧育樂事業股份有限公司 (Tenlu Leisure Business Co., Ltd.*) from November 2004 to August 2007. Mr. Lee is a founder of the Rotary Club of Taipei Hsin-Yi branch in 1987. He is a nephew of Mr. Lee Rie-Ho.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

LEE Mao-Ling (李茂林), aged 49, is our Deputy General Manager of the General Administration Department. He is responsible for assisting in our overall corporate management and marketing planning and development. Between 1987 and 1995, he was the executive assistant to the chairman of 陸羽茶藝股份有限公司 (Lu Yu Tea Artcraft Co., Ltd.*), and the director and assistant manager of the Enterprise Resources Planning Department and Business Development Department of Ten Ren respectively. Before joining our Group in 2001, Mr. Lee worked for 雅博股份有限公司 (Apex Medical Corp.*) as manager of its Domestic Sales Division. Mr. Lee graduated from National Chung Hsing University in Taiwan 1985, majoring in agricultural transportation and sales.

LEE Yen-Ping (李彥屏), aged 41, is the Head of our Marketing and Enterprise Planning Department. He is responsible for our business positioning, brand development, product research and development and our overall marketing initiatives. He joined our Group as our general manager in 2004. Mr. Lee was the director and president of the Procurement and Research and Development Division of Ten Ren in 1996 and 2001, respectively. In 2003, he worked as the sales manager of Ten Ren Tea & Ginseng Co., Ltd. in Toronto, Canada. Mr. Lee graduated from Tsoying Senior High School (高雄市立左營高中) in Taiwan in 1989.

COMPANY SECRETARY

MOK Ming Wai (莫明慧), aged 40, was appointed the company secretary of our Group on 31 August 2011. Ms. Mok has over 15 years of professional and in-house experience in the company secretarial field and is now working as an associate director of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. Prior to joining KCS Hong Kong Limited, Ms. Mok worked in KPMG Hong Kong and acted as the company secretary for two companies listed on the Main Board of the Stock Exchange. Ms. Mok is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom. Ms. Mok currently serves as a joint company secretary of Shanghai Pharmaceuticals Holding Co., Ltd. (Stock Code: 2607) and Huaneng Renewables Corporation Limited (Stock Code: 958).

MANAGEMENT PRESENCE IN HONG KONG: RULE 8.12 REQUIREMENTS

For more detailed information, please see the section entitled “Waiver from Strict Compliance with the Listing Rules” to this prospectus.

BOARD COMMITTEES

Audit Committee

We have established an audit committee in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee will be to review and supervise our financial reporting process and internal control system and provide advice and comments to our Board. The audit committee consists of Messrs. Tseng Ming-Sung, Lo Wah Wai, Lee Kwan Hung and Fan Ren Da, Anthony. Mr. Tseng Ming-Sung is our non-executive Director and the other three members are our independent non-executive Directors. The chairman of the audit committee is Mr. Lo Wah Wai.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Remuneration Committee

We have established a remuneration committee which consists of Messrs. Lee Rie-Ho, Lee Chia Ling, Lo Wah Wai, Lee Kwan Hung and Fan Ren Da, Anthony. Mr. Fan Ren Da, Anthony has been appointed as the chairman of the remuneration committee. The remuneration committee considers and recommends to our Board the remuneration and other benefits paid by us to our Directors and senior management. The remuneration of all our Directors and senior management is subject to regular monitoring by the remuneration committee to ensure that levels of their remuneration and compensation are appropriate.

Nomination Committee

We have established a nomination committee which consists of Messrs. Lee Kuo-Lin, Lee Kwan Hung and Fan Ren Da, Anthony. Mr. Lee Kwan Hung has been appointed as the chairman of the nomination committee. The nomination committee considers and recommends to our Board suitably qualified persons to become our Board members and is responsible for reviewing the structure, size and composition of our Board on a regular basis.

COMPENSATION OF DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

We reimburse our Directors for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. The executive Directors are also our employees and receive, in their capacity as our employees, compensation in the form of salaries and other allowances and benefits in kind.

The aggregate amount of salaries and other allowances and benefits in kind paid by us to our five highest paid individuals, including our contribution to the pension schemes for such individuals, during the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011 were approximately RMB705,000, RMB1,065,000, RMB10,730,000 and RMB321,000, respectively.

During the three years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, the aggregate amount of salaries and other allowances, pension scheme contributions and benefits in kind paid by us to or on behalf of all of our Directors was RMB705,000, RMB1,065,000, RMB11,241,000 and RMB501,000, respectively.

Except as disclosed above, no other payments have been made or are payable in respect of the three years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011 by us or any of our subsidiaries to or on behalf of any of our Directors, and no payments were made during the three years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011 by us to any of our Directors as an inducement to join or upon joining our Company.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors payable for the year ending 31 December 2011 to be approximately HK\$662,500.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPLIANCE ADVISER

We have appointed Polaris as our compliance adviser upon Listing of our Shares on the Stock Exchange in compliance with Rule 3A.19 of the Listing Rules. We have entered into a compliance adviser's agreement with Polaris that contains the following material terms:

- we have appointed Polaris as our compliance adviser for the purpose of Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier;
- Polaris will provide us with services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines; and
- we may terminate the appointment of Polaris as our compliance adviser only if its work is of an unacceptable standard as determined under the Listing Rules and the relevant laws and regulations or if there is a material dispute (which cannot be resolved within 30 days) over fees payable to it as permitted by Rule 3A.26 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue and assuming that the options granted under the Over-allotment Option or the Share Option Scheme have not been exercised, the following persons will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

Name	Capacity in which interests are held	Number of shares	Percentage of shareholding (%)
Mr. Lee Rie-Ho ⁽¹⁾	Interest in a controlled corporation	188,760,000	15.38
Discerning Group Limited ⁽¹⁾	Beneficial interest	188,760,000	15.38
Ms. Tsai Li-Li ⁽¹⁾	Interest in spouse	188,760,000	15.38
Trustee ⁽²⁾⁽³⁾	Trustee	377,520,000	30.76
Mr. Lee Chia Ling ⁽²⁾	Settlor of The KCL Trust	377,520,000	30.76
Trackson Investments Limited ⁽²⁾	Registered owner	377,520,000	30.76
Tiger Nature ⁽²⁾	Interest in a controlled corporation	377,520,000	30.76
The KCL Trust ⁽²⁾	Interest in a controlled corporation	377,520,000	30.76
Mr. Lee John L ⁽²⁾	Beneficiary of The KCL Trust	377,520,000	30.76
Ms. Zhou Nan Nan ⁽²⁾	Interest in spouse	377,520,000	30.76
General Atlantic Singapore Fund Pte. Ltd. ⁽⁴⁾	Registered owner	73,017,000	5.95
General Atlantic Singapore Fund Interholdco Ltd. ⁽⁴⁾	Interest in a controlled corporation	73,017,000	5.95
General Atlantic Partners (Bermuda) II, L.P. ⁽⁴⁾	Interest in a controlled corporation	73,017,000	5.95
General Atlantic GenPar (Bermuda), L.P. ⁽⁴⁾	Interest in a controlled corporation	73,017,000	5.95
GAP (Bermuda) Limited ⁽⁴⁾	Interest in a controlled corporation	73,017,000	5.95

Notes:

- (1) Discerning Group Limited is wholly owned by Mr. Lee Rie-Ho. Mr. Lee Rie-Ho is deemed to be interested in the Shares held by Discerning Group Limited for the purpose of the SFO. Ms. Tsai Li-Li is the wife of Mr. Lee Rie-Ho and is deemed to be interested in the Shares in which Mr. Lee Rie-Ho is deemed or taken to be interested for the purpose of the SFO.

SUBSTANTIAL SHAREHOLDERS

- (2) The entire issued share capital of Trackson Investments Limited is held by Tiger Nature which is in turn ultimately held by the Trustee (through two nominee companies) as the trustee of The KCL Trust. The KCL Trust is a discretionary trust established by Mr. Lee Chia Ling as settlor and the Trustee as trustee on 12 April 2011. The beneficiaries of The KCL Trust include family members of Mr. Lee Chia Ling. Mr. Lee Chia Ling is deemed to be interested in 377,520,000 Shares held by The KCL Trust, Tiger Nature and Trackson Investments Limited immediately upon completion of the Global Offering pursuant to Part XV of the SFO. Ms. Zhou Nan Nan is the spouse of Mr. Lee Chia Ling and is deemed to be interested in all the Shares of Mr. Lee Chia Ling by virtue of the SFO.
- (3) As the Trustee is the trustee of The KCL Trust, it is deemed to be interested in 377,520,000 Shares held by The KCL Trust.
- (4) General Atlantic Singapore Fund Pte. Ltd. is managed and controlled on day-to-day basis by its board of directors comprised solely of Abhay Havaldar and Nicholas Nash, both of whom are residents of Singapore and investment professionals who work on a full-time basis in Singapore. The sole shareholder of General Atlantic Singapore Fund Pte. Ltd. is General Atlantic Singapore Fund Interholdco Ltd. (“GA Interholdco”) and the controlling shareholder of GA Interholdco is General Atlantic Partners (Bermuda) II, L.P. (“GAP LP”). The general partner of GAP LP is General Atlantic GenPar (Bermuda), L.P. (“GA GenPar”) and the general partner of GA GenPar is GAP (Bermuda) Limited.

Except as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering, be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Company, our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and after completion of the Global Offering (without taking into account Shares which may be issued pursuant to the exercise of the Over-allotment Option or any option granted under the Share Option Scheme):

<i>Authorised share capital:</i>		<i>HK\$</i>
8,000,000,000	Shares with nominal value of HK\$0.10 each	800,000,000
<i>Issued share capital:</i>		
101,858,746	Shares in issue as at the date of this prospectus	10,185,874.6
<i>Shares to be issued:</i>		
916,728,714	Shares to be issued pursuant to the Capitalisation Issue	91,672,871.4
208,620,000	Shares to be issued pursuant to the Global Offering	20,862,000
<i>Total issued and to be issued share capital:</i>		
1,227,207,460	Shares	122,720,746

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and does not take into account any options which may be granted under the Share Option Scheme.

RANKING

The Offer Shares will rank equally with all our Shares now in issue or to be issued and will qualify for all dividends, income and other distributions and any other rights and benefits attaching or accruing to our Shares after the completion of the Global Offering.

GENERAL MANDATE TO ISSUE SHARES

Assuming the Global Offering becomes unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares with a total nominal value of not more than 20% of the total nominal amount of our share capital in issue immediately following the completion of Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; and the total amount of our share capital repurchased by us (if any) pursuant to the mandate as mentioned in “– General Mandate to Repurchase Shares”).

SHARE CAPITAL

The general mandate is in addition to the powers of our Directors to allot, issue or deal with Shares under any rights issue, scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend in accordance with our Memorandum and Articles of Association, or pursuant to the exercise of any subscription rights attached to any warrants which may be issued by us from time to time, or upon the exercise of options granted under the Share Option Scheme. The general mandate does not include any Shares to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section entitled “Structure of the Global Offering – Conditions of the Hong Kong Public Offer” in this prospectus, our Directors have been granted a general mandate to exercise all our powers to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering, excluding any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

This general mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules.

This general mandate to repurchase Shares will expire:

- at the end of our next annual general meeting;
- at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- when varied or revoked by an ordinary resolution of our shareholders in general meeting,

whichever is the earliest.

CORNERSTONE INVESTMENT

THE CORNERSTONE INVESTMENT

On 2 September 2011, as part of the International Placing, we and the Joint Global Coordinators entered into the cornerstone investment agreement with General Atlantic Singapore Fund Pte. Ltd. as a cornerstone investor (the “Cornerstone Investor”). The Cornerstone Investor has agreed to subscribe for 73,017,000 Shares at the Offer Price, representing (i) approximately 5.95% of the Shares in issue and outstanding immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised, if any), and (ii) approximately 35.0% of the total number of Offer Shares (assuming the Over-allotment Option is not exercised, if any).

The Cornerstone Investor and its beneficial owners are Independent Third Parties and not connected persons (as such term is defined in the Listing Rules) of our Company. The Cornerstone Investor will not subscribe for any Offer Shares under the Global Offering other than pursuant to the cornerstone investment agreement. Immediately following the completion of the Global Offering, the Cornerstone Investor will not have any board representation in our Company, nor will it become our substantial shareholder (as such term is defined in the Listing Rules).

The International Placing Shares to be subscribed for by the Cornerstone Investor will not be affected by any reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offer in the event of an over-subscription under the Hong Kong Public Offer as described in the section entitled “Structure of the Global Offering – The Hong Kong Public Offer” nor by any exercise of the Over-allotment Option. The Shares subscribed by the Cornerstone Investor will be counted towards the public float of our Company.

THE CORNERSTONE INVESTOR

The Cornerstone Investor, incorporated in Singapore, is a private equity fund based in Singapore that makes and holds investments in growth companies in Asia, including the PRC, Hong Kong, India, Singapore and other regions of Asia. It is part of the General Atlantic private equity group, a leading global growth equity firm providing capital and strategic support for growth companies.

CONDITIONS PRECEDENT

The subscription obligation of the Cornerstone Investor under the cornerstone investment agreement is conditional upon, amongst others: (i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional no later than the date and time as specified in these agreements, (ii) neither of these agreements having been terminated, and (iii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares.

CORNERSTONE INVESTMENT

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that, without the prior written consent of the Joint Global Coordinators and us, it will not, whether directly or indirectly, at any time during the period of 12 months following the Listing Date, dispose of any Shares subscribed for pursuant to the cornerstone investment agreement other than transfers to any of its eligible affiliate funds managed by the Cornerstone Investor subject to the undertaking that such affiliate will abide by the terms and restrictions on disposal imposed on the Cornerstone Investor. After the 12-month period, the Cornerstone Investor can dispose of any of the Shares it subscribed for pursuant to the cornerstone investment agreement but it is obligated to ensure any such disposal will not create a disorderly or false market. The Cornerstone Investor will also ensure any such disposal will be in compliance with the SFO.

FINANCIAL INFORMATION

The following discussion and analysis of our financial condition and results of operations are based on and should be read in conjunction with our financial information for each of the three years ended 31 December 2008, 2009 and 2010 and for the three months ended 31 March 2010 and 2011, including the notes thereto, as set out in the Accountant's Report in Appendix I to this prospectus. Our financial information has been prepared in accordance with HKFRSs, which may differ in material respects from generally accepted accounting principles in other jurisdictions, including in the United States.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please see the section entitled "Risk Factors" in this prospectus. In this section of the prospectus, references to "2008", "2009" and "2010" refer to our financial years ended 31 December 2008, 2009 and 2010, respectively, and references to 2011 refer to the three months ended 31 March 2011.

OVERVIEW

We are a leading traditional Chinese tea-product enterprise in the PRC engaged in the sale and marketing of a comprehensive range of tea products and the development of product concepts, tastes and packaging designs. Our key products are tea leaves, tea snacks and tea ware, which we sell through a nationwide network of self-owned and third-party owned retail outlets and retail points. According to a commissioned report by Euromonitor International, further details of which are set out under the section entitled "Industry Overview" in this prospectus, as of 31 March 2011, we had the largest sales network amongst all branded traditional Chinese tea-product companies in the PRC in terms of the number of self-owned and third-party owned retail outlets and retail points that exclusively sell our products, and our Tenfu (天福) brand has one of the highest levels of brand awareness amongst tea-product consumers in the PRC. In 2010, our branded traditional Chinese tea leaves had the largest market share in terms of retail sales value of all branded traditional Chinese tea leaves in the PRC and our Oolong tea and green tea dominated the respective market segments, according to Euromonitor International.

As of 31 March 2011, our tea products were sold in 1,062 retail outlets and retail points across 29 provinces, autonomous regions and municipalities in the PRC, including stores with shopfronts at street level and in shopping malls and concession counters in department stores and supermarkets. These retail outlets and retail points were comprised of 453 self-owned and 609 dedicated third-party owned retail outlets and retail points, all of which bear the Tenfu (天福) brand name and exclusively sell our tea products and products authorised by us. To capture customers who prefer to buy tea products from supermarkets, we acquired Xiamen Apex in January 2011, which sold tea leaves and tea snacks under the Ten Sin, Danfeng and Uncle Lee brands through 164 supermarkets owned and operated by Independent Third Parties as of 31 March 2011.

During the Track Record Period, a substantial amount of our revenue was generated from the wholesale of our tea products to third-party retailers. We commenced the restructuring of our retail sales network and began to operate our self-owned retail outlet in the PRC in October 2008. Prior to October 2008 and with a view to achieving greater operational and distribution efficiency, we divided the PRC into different regions with each region represented by regional third-party retailers. The regional third-party retailers operated their own retail outlets. Most of them also distributed our

FINANCIAL INFORMATION

products to local third-party retailers in their regions. To better manage our business expansion, we gradually acquired some of the third-party owned retail outlets and retail points and set up our own PRC sales subsidiaries to take over the function of the regional retailers in the distribution to local retailers. The restructuring has enabled us to better control and manage our sales network. By March 2011, we completed our retail network restructuring. Since then, we have sold our products at self-owned retail outlets and retail points. We have also sold our products through our PRC sales subsidiaries to third-party retailers on a wholesale basis and through our concession points at supermarkets owned and operated by Independent Third Parties. To expand our sales network, we also plan to acquire or set up additional retail outlets and retail points and continue to engage third-party retailers to open additional retail outlets and retail points.

Our revenue increased from approximately RMB571.0 million in 2008 to RMB692.7 million in 2009 and to RMB1,247.0 million in 2010, respectively, representing a CAGR of approximately 47.8%. Our revenue increased from approximately RMB269.0 million in the three months ended 31 March 2010 to RMB459.6 million in the three months ended 31 March 2011, representing a period-on-period growth of approximately 70.9% for such period. Growth in our revenue during the Track Record Period was due mainly to the expansion of our sales network and in particular, the growth in the number of our self-owned retail outlets and retail points.

Our net profit increased from approximately RMB109.2 million in 2008 to RMB138.9 million in 2009 and further to RMB223.0 million in 2010, representing a CAGR of approximately 42.9% over that period. Our net profit increased from approximately RMB42.9 million in the three months ended 31 March 2010 to RMB94.5 million in the three months ended 31 March 2011, representing a period-on-period growth of approximately 120.3% for such period.

During the Track Record Period, our gross profit margin decreased from 44.9% in 2008 to 43.8% in 2009, and increased to 55.3% in 2010 and 60.8% in the three months ended 31 March 2011. The major factor causing the increase in our gross profit margin in 2010 was the increase in sales through our self-owned retail outlets and retail points, where we generally sold the products to retail consumers at a higher price than the wholesale prices at which we sold our tea products to third-party retailers. Please see the paragraph headed “– Description of Principal Income Statement Items – Revenue” in this prospectus for further details about our pricing policy. The major factor causing the decrease in our gross profit margin in 2009 was the significant drop in the gross profit margin of our tea ware from 48.8% in 2008 to 28.8% in 2009, because we ceased producing tea ware which generally commanded higher gross profit margin than we purchased finished tea ware products from third-party suppliers starting from 2009.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 22 April 2010, and as a result of our reorganisation, our Company became the holding company of our Group. For further information relating to our Reorganisation, please see the section entitled “History, Reorganisation and Corporate Structure” in this prospectus. The Reorganisation represented a business combination involving entities under the common control of Mr. Lee Rie-Ho, Mr. Lee Shih-Wei and Mr. Lee Chia Ling. The financial information set out in this prospectus was prepared using the principles of merger accounting. In addition, we acquired the 100% equity interest in Jinan Tenfu, Yantai Tenfu, Tianjin Tenfu, Beijing Tenfu and Xiamen Apex and other sales business from third-party retailers to expand our self-owned retail outlets and retail points. The acquisition method of accounting was adopted for these acquisitions where we recorded the fair value of the identifiable net assets of these entities and/or assets at the respective acquisition dates. See Note 1.3 of the Accountant’s Report

FINANCIAL INFORMATION

in Appendix I to this prospectus. Our consolidated statements of comprehensive income, consolidated balance sheets, consolidated cash flow statements and consolidated statements of changes in equity of the companies now comprising our Group as a result of the Reorganisation in each of the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2010 and 2011 and as of 31 December 2008, 2009 and 2010 and 31 March 2011 have been prepared as if our Group's corporate structure had been in existence since 1 January 2008 or since the respective dates of incorporation or establishment or acquisition, whichever is later. The consolidated financial information, which is presented in Renminbi, have been prepared in accordance with HKFRSs.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our financial condition and results of operations have been and will continue to be affected by a number of factors. We believe the key factors are the following:

Market demand for our products

Our historical sales growth has been driven in part by the growth in the size of the markets for traditional Chinese tea products in the PRC. According to Euromonitor International, the branded tea industry in the PRC enjoyed a healthy volume growth from 2000 to 2010 and had a market size of approximately RMB32,820.0 million in 2010 in terms of retail sales value, and is expected to grow at a CAGR of 13.9% between 2011 and 2013. As a leading traditional Chinese tea-product enterprise in the PRC, we believe we are well positioned to capture the opportunities in the expected rapid growth of tea-product markets in the PRC. Nonetheless, the growth of tea-product markets is affected by a number of factors, including the growth of the PRC's GDP and disposable income levels in the PRC, consumer preferences, customers' belief in the health benefits from tea, the tea drinking tradition in the PRC and competition from tea substitutes.

Marketing and promotion activities

Demand for our tea products may be impacted by our marketing and promotion activities. We market and promote our brand and products through a number of different channels and methods, including placing advertisements on public transport, inflight magazines as well as marketing via motion media shown in public transport and placing T-bar advertisement and advertising through television in the PRC. We also promote our tea products by giving away free gifts to customers when customers purchase certain amounts of specified products, in particular in conjunction with themed promotional campaigns that we organize during peak seasons for tea products, such as in the traditional Chinese festivals. In addition, we provide our customers with free trial tea products at our retail outlets and retail points in order to promote our sales. During each of the three years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, our advertising expenses and free trial expenses represented 6.1%, 1.5%, 1.9% and 2.5% of our revenue, respectively.

In addition, we believe the image of and service offered in our retail outlets and retail points are an indispensable method of promoting our products and enhancing our brand recognition. We adopt uniform design and decoration styles for our retail outlets and retail points (including both the self-owned and third-party owned retail outlets and retail points) to provide our customers with a personalised tea shopping experience and to actively promote tea culture. We specially train our sales attendants at the retail outlets and retail points to provide guidance and advice on tea culture,

FINANCIAL INFORMATION

tea tasting, tea classification and tea making to customers. While we believe such efforts have contributed to and will continue to contribute to the increase in our sales and revenue, we may incur a substantial amount of costs, expenses and, to a lesser extent, capital expenditures in order to maintain or upgrade the standards of our retail outlets and retail points, especially our self-owned retail outlets and retail points.

Expansion of our sales network

Capitalising on the rising market demand and our successful marketing and branding efforts, we enjoyed strong revenue growth through the rapid expansion of our sales network during the Track Record Period. As of 31 March 2011, our tea products were sold through 1,062 retail outlets and retail points, including both self-owned and third-party owned retail outlets and retail points, located across 29 provinces, autonomous regions and municipalities in the PRC, compared to 876 retail outlets and retail points as of 31 December 2008. We acquired Xiamen Apex in January 2011. As of 31 March 2011, Xiamen Apex sold tea leaves and tea snacks under our Ten Sin, Uncle Lee and Danfeng brands through its concession points at 164 hypermarkets.

To better manage our business expansion, we commenced a restructuring through the acquisition of some of the third-party owned retail outlets and retail points in 2008 and continued to open self-owned retail outlets and retail points during the Track Record Period. As a result, our self-owned retail outlets and retail points increased to 453 stores for the three months ended 31 March 2011, from 406 stores for the year ended 31 December 2010, 75 stores for the year ended 31 December 2009 and six stores for the year ended 31 December 2008. In addition, we acquired Xiamen Apex in January 2011. As our sales network expanded, the significant increase in our self-owned retail outlets and retail points in the three months ended 31 March 2011 and the year ended 31 December 2010 has enabled us to charge on average higher prices for products sold directly to our ultimate customers than the prices charged on products sold to third-party retailers. Hence we derived a greater portion of our revenue directly from retail sales. As a result, our revenue increased from RMB571.0 million in 2008 to RMB692.7 million in 2009 and RMB1,247.0 million in 2010, representing a CAGR of 47.8%. Our revenue increased from RMB269.0 million in the three months ended 31 March 2010 to RMB459.6 million in the three months ended 31 March 2011, representing a period-on-period growth of 70.9%.

We anticipate that our sales network expansion will be driven by the opening of additional self-owned retail outlets and retail points while we will continue to engage third-party retailers to establish additional retail outlets and retail points based on market conditions. Our revenue will therefore continue to depend, to a significant extent, on our ability to successfully grow and manage our sales network, in particular the increase in our self-owned retail outlets and retail points.

Our product portfolio

We have a diverse product portfolio comprising numerous varieties of products across our three operating segments of tea leaves, tea snacks and tea ware. In addition, we have adopted a multi-brand strategy to market our products across a broader range of products and consumer groups. See the sections entitled “Business – Products” and “Business – Our Brands” in this prospectus for details. Different products in each segment and different brand have different gross profit margins, depending on a variety of factors including sales volume, costs of raw materials, pricing and our marketing and branding strategy. For example, our tea leaves tend to have higher gross profit margins than both our tea snacks and, typically, our tea ware. Therefore, our overall gross profit margin will vary depending on the product mix across operating segments.

FINANCIAL INFORMATION

The table below sets forth our gross profit margins for our three operating segments for the periods indicated:

Gross Profit Margin	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	<i>(unaudited)</i>				
Segment					
Tea leaves	45.1%	45.6%	57.4%	46.5%	63.4%
Tea snacks	40.0%	40.3%	55.3%	48.8%	59.0%
Tea ware	48.8%	28.8%	40.9%	23.4%	48.3%

We expect to continue to promote the sales of all of our products because we believe that each operating segment contributes significant synergies to the sales of our tea products as a whole.

Our ability to introduce new products to the market that meet consumer preferences will have a significant influence on our future sales and financial performance. The relative success of our new products may impact our profitability if they have higher or lower gross profit margins than our existing products.

Costs of inventory

Costs of inventory consist primarily of cost of raw materials (mainly including tea leaves and packaging materials), and consumables used. Our costs of inventory was RMB286.9 million, RMB360.0 million, RMB520.5 million, RMB141.0 million and RMB170.6 million, accounting for 91.1%, 92.5%, 93.4%, 94.8% and 94.8% of our total cost of sales, in 2008, 2009, 2010 and the three months ended 31 March 2010 and 2011, respectively. Tea leaves took up around 66-71% of our raw material purchase costs and tea packaging costs accounted for around 13-14% of our raw material purchase costs during the Track Record Period. As a result, any significant fluctuations in our cost of raw materials may materially impact our cost of sales and gross profit margin. Fluctuations in these costs may arise from changes in the types or prices of raw materials that we use.

The prices for our raw materials are determined principally by market forces and our bargaining power vis-à-vis our suppliers. During the Track Record Period, market prices of certain of our raw materials experienced short-term fluctuations due to weather conditions or other factors beyond our control. For example, the price and quality of tea leaves fluctuate from season to season as a result of factors such as weather conditions. To better manage our cost, our procurement team will continue to explore supplies of quality tea leaves in finished form from tea farmers and tea producers. In addition, we will continue to lower our cost by purchasing high-quality tea leaves during low seasons and leverage our expertise to store these tea leaves at low temperature to ensure that they retain their original freshness. We also intend to centralise the procurement of the majority of our raw materials for tea snacks to take advantage of economies of scale and maximise our bargaining power with suppliers. See the section entitled “Business – Our Strategies – Improve our cost management” in this prospectus.

Tax Treatment

Our profitability may be significantly affected by changes in tax rates, particularly PRC enterprise income tax rates applicable to our PRC Tea Subsidiaries. Pursuant to the New EIT Law, the EIT rate is unified at 25% for all types of entities, effective from 1 January 2008. Jiajiang Tenfu

FINANCIAL INFORMATION

was entitled to a preferential PRC EIT treatment, with applicable income tax rates of zero, zero, 12.5% and 12.5%, in 2008, 2009, 2010 and the three months ended 31 March 2011, respectively. Jiajiang Tenfu is expected to enjoy the preferential tax rate of 12.5% till the end of 2012.

Under the New EIT Law, a distribution of dividends from a PRC subsidiary to its non-PRC shareholders arising from profits earned after 1 January 2008 is generally subject to a 10% withholding income tax. In the event that a company incorporated in Hong Kong directly holds no less than 25% of the equity interest of the PRC subsidiary, the applicable tax rate for such withholding income tax is 5%. Pursuant to Circular 601, however, a Hong Kong holding company may not be able to enjoy the 5% preferential withholding tax if it fails to qualify as a “beneficial owner” under Circular 601, in which case the dividends would be subject to the standard 10% withholding tax. We applied the withholding tax rate of 5% to the dividends payable to Tenfu HK during the Track Record Period, as we have obtained the approval on using the preferential tax treatment from the relevant tax authority. The dividends payable to Ten Rui HK was subject to the 10% withholding tax during the Track Record Period, as we are still in the process of applying for the 5% preferential withholding tax for Ten Rui HK.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those that require our management to exercise judgement and to make estimates that would yield materially different results if our management applied different assumptions or made different estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our estimates or assumptions. Under the current circumstances, we do not expect that our estimates or assumptions are likely to change significantly in the future. We believe the following critical accounting policies involve the most significant estimates and judgements used in the preparation of our consolidated financial statements.

Impairment of trade and other receivables

We estimate the provision of impairment of trade and other receivables by assessing their recoverability. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. If the result is different from our original estimate, such differences will impact the carrying value of trade and other receivables and the impairment provided for in the period in which such estimate is changed.

Current tax and deferred tax

We are subject to income taxes in a few jurisdictions. Judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that are initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when we consider it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Unrealised profits are a major component of temporary differences and result from unrealised sales of inventories at the balance sheet date for

FINANCIAL INFORMATION

those products sold from our PRC Tea Subsidiaries to our PRC sales subsidiaries. Our PRC Tea Subsidiaries sell our products to our PRC sales subsidiaries and earn profits from such sales. If at the balance sheet date, the products are not sold by our PRC sales subsidiaries to their customers, the profits earned by our PRC Tea Subsidiaries from such sales will be eliminated in our Group's consolidated financial information and deferred tax assets in relation to the unrealised profit will be recognised. For example, our unrealised profit on inventory increased to RMB88.4 million in 2010 from RMB21.0 million in 2009, which was mainly due to the increase of our inventory maintained at our PRC sales subsidiaries during the same period. This increase of such inventory was mainly due to the expansion of our sales network, in particular the increase in our self-owned retail outlets and retail points which require us to maintain certain inventory levels, as well as the increase in our classifying and sales volume. Where the result is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the period in which such estimate is changed.

DESCRIPTION OF PRINCIPAL INCOME STATEMENT ITEMS

Revenue

During the Track Record Period, we derived substantially all of our revenue from sales of traditional Chinese tea leaves, tea snacks and tea ware. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of our business. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within our Group. The following table sets forth a breakdown of revenue by product category for the periods indicated:

	Year Ended 31 December						Three Months Ended 31 March			
	2008		2009		2010		2010		2011	
	<i>RMB in millions</i>	<i>% of Revenue</i>	<i>RMB in millions</i>	<i>% of Revenue</i>	<i>RMB in millions</i>	<i>% of Revenue</i>	<i>RMB in millions</i>	<i>% of Revenue</i>	<i>RMB in millions</i>	<i>% of Revenue</i>
Revenue contributed from:										
Tea leaves	389.9	68.3%	501.4	72.4%	876.6	70.3%	187.4	69.7%	329.1	71.6%
Tea snacks	106.7	18.7%	116.6	16.8%	200.8	16.1%	46.3	17.2%	71.8	15.6%
Tea ware	56.8	10.0%	52.3	7.6%	134.6	10.8%	27.3	10.1%	49.9	10.9%
Other ⁽¹⁾	17.6	3.0%	22.4	3.2%	35.0	2.8%	8.0	3.0%	8.8	1.9%
Total	571.0	100.0%	692.7	100.0%	1,247.0	100.0%	269.0	100.0%	459.6	100.0%

Note:

- (1) "Others" included revenue from hotel and restaurants operations and tourism. We derived our revenue from these operations through provision of accommodation, food and beverages and other ancillary services and ticket sales from our tea museums and sightseeing facilities.

Growth in our revenue during the Track Record Period was primarily due to increased sales of our tea products in our existing markets as well as growth of our sales in new markets through the expansion of our sales network, mainly as a result of acquiring retail outlets and retail points from third-party retailers beginning in 2008.

FINANCIAL INFORMATION

We derived the majority of our revenue from sales directly to customers through our self-owned retail outlets and retail points and to a lesser extent, from wholesales of our tea products to third-party retailers as of 31 December 2010. In addition, we also sold our certain tea products through hypermarkets which are owned and operated by Independent Third Parties, through acquiring Xiamen Apex in January 2011. See the section entitled “History, Reorganisation and Corporate Structure – Acquisition of Xiamen Apex by Ten Rui HK” in this prospectus.

The table below sets forth our revenue by operating segment and by sales channel for the periods indicated:

	Year Ended 31 December			Three Months Ended 31 March	
	2008	2009	2010	2010	2011
	<i>RMB in millions</i>				
	<i>(unaudited)</i>				
Revenue contributed from:					
Tea Leaves					
Retail sales (including retail through our self-owned retail outlets and retail points)	18.3	30.3	554.3	60.2	224.7 ⁽²⁾
Wholesale to third-party retailers (including wholesale through regional third-party retailers and/or by our PRC sales subsidiaries to third-party retailers)	344.1	427.7	283.5	114.0	90.9
Others ⁽¹⁾	27.5	43.4	38.8	13.2	13.5
Tea Snacks					
Retail sales (including retail through our self-owned retail outlets and retail points)	13.8	20.4	132.0	17.1	49.9 ⁽²⁾
Wholesale to third-party retailers (including wholesale through regional third-party retailers and/or by our PRC sales subsidiaries to third-party retailers)	84.6	87.8	66.5	28.5	21.4
Others ⁽¹⁾	8.2	8.4	2.3	0.7	0.5
Tea Ware					
Retail sales (including retail through our self-owned retail outlets and retail points)	2.6	3.4	84.8	8.2	32.1 ⁽²⁾
Wholesale to third-party retailers (including wholesale through regional third-party retailers and/or by our PRC sales subsidiaries to third-party retailers)	51.8	47.7	49.5	19.1	17.7
Others ⁽¹⁾	2.4	1.2	0.3	0.0	0.1

Notes:

- (1) Others mainly comprised sales to Samoa Group, Xiamen Apex (prior to our acquisition of it in January 2011) and Ten Ren U.S.A.
- (2) For the three months ended 31 March 2011, retail sales included sales through hypermarkets, as a result of our acquisition of Xiamen Apex in January 2011.

FINANCIAL INFORMATION

We apply a uniform retail pricing policy to our tea products. This pricing policy enables the ultimate customers to purchase the same type of products at the same price at the retail outlets or retail points, whether owned by ourselves or by third-party retailers. Third-party retailers incur costs and expenses, as well as make profits, when they distribute and sell our tea products. Therefore, we usually sell our tea products to third-party retailers at a discounted wholesale price of approximately 40%-60% to the uniform retail price (i.e. the wholesale price represented approximately 60%-40% of the uniform retail price) to enable them to cover their costs, expenses and make profits. By contrast, we sell tea products through our self-owned retail outlets and retail points at the uniform retail price to the ultimate customers. Please see the section entitled “Business – Overview of Our Sales Model” in this prospectus for further information of our sales model and its evolution. As a result, the gross profit margins derived from sales at our self-owned retail outlets and retail points are higher than our wholesales to third-party retailers because such gross profit margins do not include the discount offered to the third-party retailers.

We price our products primarily based on market demand, while also taking into account raw material costs, related marketing and promotion expenses and other costs and expenses. We price our products at a price which we believe is affordable to a wide range of consumers.

Cost of Sales and Gross Profit

Our cost of sales primarily comprises costs of inventory (mainly including costs of raw materials) and labour costs directly related to the classifying and packaging of our products. Raw tea leaves used in our products constitute the largest component of costs of raw materials. Costs of inventory are recognised when the revenue in relation to sales of the finished products are recognised. The following table sets forth a breakdown of cost of sales by components for the periods indicated:

	Year Ended 31 December						Three Months Ended 31 March			
	2008		2009		2010		2010		2011	
	RMB in millions	% of cost of sales	RMB in millions	% of cost of sales	RMB in millions	% of cost of sales	RMB in millions	% of cost of sales	RMB in millions	% of cost of sales
Costs of inventory	286.9	91.1%	360.0	92.5%	520.5	93.4%	141.0	94.7%	170.6	94.8%
Labour costs	16.5	5.2%	15.7	4.0%	19.3	3.5%	4.5	3.0%	5.4	3.0%
Depreciation of property, plant and equipment	5.1	1.6%	6.9	1.8%	7.3	1.3%	1.6	1.1%	2.9	1.6%
Others	6.4	2.1%	6.8	1.7%	10.2	1.8%	1.7	1.2%	1.1	0.6%
Cost of sales	314.9	100.0%	389.4	100.0%	557.3	100.0%	148.8	100.0%	180.0	100.0%
Gross Profit	256.1		303.3		689.7		120.2		279.6	
Gross Profit Margin	44.9%		43.8%		55.3%		44.7%		60.8%	

FINANCIAL INFORMATION

Our cost of sales and each of the three major components of our cost of sales, as a percentage of our revenue, changed during each of the three years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, thereby leading to changes in our gross profit margins, from 44.9% in 2008 to 43.8% in 2009, 55.3% in 2010 and 44.7% and 60.8% in the three months ended 31 March 2010 and 2011, respectively. The major factor causing the increase in our gross profit margins in the three months ended 31 March 2011 and the year ended 31 December 2010 was the increase in sales through our self-owned retail outlets and retail points, where we generally sold the products to retail consumers at a higher price than the wholesale prices at which we sold our tea products to third-party retailers. Please see the paragraph headed “Description of Principal Income Statement Items – Revenue” in this prospectus for further information on our pricing policy. The major factor causing the decrease in our gross profit margin in 2009 was the significant drop in the gross profit margin of our tea ware from 48.8% in 2008 to 28.8% in 2009 because we ceased producing the tea ware in our own factories and started to purchase finished tea ware products from third-party suppliers in 2009.

The table below sets forth our gross profit margin for our three operating segments for the periods indicated:

Gross Profit Margin	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
				<i>(unaudited)</i>	
Segment					
Tea leaves	45.1%	45.6%	57.4%	46.5%	63.4%
Tea snacks	40.0%	40.3%	55.3%	48.8%	59.0%
Tea ware	48.8%	28.8%	40.9%	23.4%	48.3%

Other Income

Our other income primarily consists of (i) government grants comprising various subsidies from local governments, (ii) investment property rental income and (iii) others. In general, we receive these government grants from local governments as tax incentives in recognition of our tax contribution and the creation of employment opportunities. The fact that we received historical tax incentives does not mean that we will continue to receive such tax incentives in the future. The local government grants are subject to the changes of local policies from time to time. The investment property rental income mainly represents the rental income from the investment property owned by us.

FINANCIAL INFORMATION

Distribution Costs

Our distribution costs principally comprise salaries of our sales personnel at our self-owned retail outlets and retail points, operating lease payments for our self-owned retail outlets, advertising costs and free trial expenses in connection with our promotion and marketing activities, and sales commission representing the concession fees imposed on the sales from our self-owned retail points. We pay sales commission to the hypermarkets and department stores in which our self-owned retail points are located in accordance with the terms of our concession agreements, and commenced making such payments in 2009 when we established a number of these self-owned retail points. The following table sets forth a breakdown of our distribution costs by components for the periods indicated:

	Year Ended 31 December						Three Months Ended 31 March			
	2008		2009		2010		2010		2011	
	<i>RMB in millions</i>	<i>% of Revenue</i>	<i>RMB in millions</i>	<i>% of Revenue</i>	<i>RMB in millions</i>	<i>% of Revenue</i>	<i>RMB in millions</i>	<i>% of Revenue</i>	<i>RMB in millions</i>	<i>% of Revenue</i>
Salaries of sales personnel	12.5	2.2%	14.3	2.1%	81.1	6.5%	10.6	3.9%	32.4	7.0%
Operating lease payments .	2.8	0.5%	10.8	1.6%	76.9	6.2%	10.4	3.9%	23.9	5.2%
Advertising costs and free trial expenses	33.9	5.9%	10.4	1.5%	23.5	1.9%	4.9	1.8%	11.1	2.4%
Sales commission	–	0.0%	0.6	0.1%	22.3	1.8%	5.0	1.9%	17.9	3.9%
Others distribution cost . .	16.6	2.9%	17.6	2.5%	68.8	5.5%	12.0	4.4%	25.0	5.5%
Total	65.8	11.5%	53.7	7.8%	272.6	21.9%	42.9	15.9%	110.3	24.0%

Administrative Expenses

Our administrative expenses principally comprise salaries of our administrative personnel, depreciation of property, plant and equipment, utilities expenses and pre-opening costs representing the costs incurred for the opening of new stores. Salaries of our administrative personnel have generally been the largest component of our administrative expenses. The following table sets forth a breakdown of our administrative expenses by components for the periods indicated:

	Year Ended 31 December						Three Months Ended 31 March			
	2008		2009		2010		2010		2011	
	<i>RMB in millions</i>	<i>% of Revenue</i>	<i>RMB in millions</i>	<i>% of Revenue</i>	<i>RMB in millions</i>	<i>% of Revenue</i>	<i>RMB in millions</i>	<i>% of Revenue</i>	<i>RMB in millions</i>	<i>% of Revenue</i>
Salaries of our administrative personnel	14.7	2.6%	21.5	3.1%	52.7	4.2%	6.8	2.5%	18.8	4.1%
Depreciation of property, plant and equipment .	8.1	1.4%	9.2	1.3%	11.2	0.9%	2.5	0.9%	3.4	0.7%
Utilities expenses	2.8	0.5%	2.6	0.4%	5.8	0.5%	0.8	0.3%	1.1	0.2%
Pre-opening cost	0.2	0.0%	1.1	0.2%	5.2	0.4%	0.5	0.2%	2.2	0.5%
Other	14.5	2.6%	20.7	3.0%	32.2	2.6%	4.6	1.7%	11.5	2.6%
Total	40.3	7.1%	55.1	8.0%	107.1	8.6%	15.2	5.7%	37.0	8.1%

FINANCIAL INFORMATION

Finance Costs

Our finance costs during the Track Record Period consisted of interest expenses on bank borrowings.

Taxation

Our taxation expenses comprise EIT on the income of our subsidiaries incorporated in the PRC, deferred tax and provision for PRC withholding tax. Our effective tax rates during each of the three years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2010 and 2011 were 23.5%, 28.1%, 28.9%, 31.3% and 26.6%, respectively. Pursuant to the New EIT Law, the EIT rate is unified at 25% for all types of entities, effective from 1 January 2008. Jiajiang Tenfu was entitled to a preferential PRC EIT treatment with an applicable income tax rate during each of the three years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011 of zero, zero, 12.5% and 12.5%, respectively. According to the preferential PRC EIT treatment, Jiajiang Tenfu will enjoy the EIT rate of 12.5% until the end of 2012.

In addition, during the Track Record Period, we made the provision for withholding tax on the distributable profits of the subsidiaries incorporated in the PRC at a tax rate of 5% or 10%, depending on whether we have obtained relevant approvals for using the preferential withholding tax rate of 5%. Please see the paragraphs headed “Significant Factors Affecting Our Results of Operations and Financial Condition – Tax Treatment” in this prospectus.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following table sets forth our results of operations for the periods indicated:

	Year Ended 31 December			Three Months Ended 31 March	
	2008	2009	2010	2010	2011
	<i>RMB in millions</i>				
	<i>(unaudited)</i>				
Revenue	571.0	692.7	1,247.0	269.0	459.6
Costs of sales	(314.9)	(389.4)	(557.3)	(148.8)	(180.0)
Gross profit	256.1	303.3	689.7	120.2	279.6
Distribution costs	(65.8)	(53.7)	(272.6)	(42.9)	(110.3)
Administrative expenses	(40.3)	(55.1)	(107.1)	(15.2)	(37.0)
Other income	2.9	4.9	9.0	1.5	0.8
Other (losses)/gains – net . . .	(2.3)	1.9	2.3	1.2	0.2
Operating profit	150.6	201.3	321.3	64.8	133.3
Finance income	0.2	0.4	1.0	0.2	0.3
Finance costs	(9.3)	(9.4)	(9.8)	(2.9)	(5.1)
Finance costs – net	(9.1)	(9.0)	(8.8)	(2.7)	(4.8)
Share of profit of a jointly controlled entity	1.2	0.9	1.2	0.3	0.3
Profit before income tax . . .	142.7	193.2	313.7	62.4	128.8
Income tax expense	(33.5)	(54.3)	(90.7)	(19.5)	(34.3)
Profit for the year/period, all attributable to the equity holders of the Company	<u>109.2</u>	<u>138.9</u>	<u>223.0</u>	<u>42.9</u>	<u>94.5</u>

FINANCIAL INFORMATION

Three Months Ended 31 March 2011 Compared with Three Months Ended 31 March 2010

Revenue

Our revenue increased by RMB190.6 million, or 70.9%, to RMB459.6 million for the three months ended 31 March 2011 from RMB269.0 million for the three months ended 31 March 2010, primarily due to higher sales of tea leaves, tea snacks and tea ware. Revenue from sales of our tea leaves increased by RMB141.7 million, or 75.6%, during this period. In addition, revenue from our tea snacks increased by RMB25.5 million, or 54.9%, and revenue from tea ware increased by RMB22.6 million, or 82.5%, during this period. The revenue increases across all three operating segments were primarily driven by the expansion of our sales network, in particular the growth in the number of our self-owned retail outlets and retail points and the acquisition of Xiamen Apex in January 2011. As of 31 March 2011, Xiamen Apex sold tea leaves and tea snacks under the Ten Sin, Danfeng and Uncle Lee brands through its concession points at 164 hypermarkets. In accordance with our pricing policy, we charged prices that were approximately 66.7%-150.0% higher for products sold to our ultimate customers through our self-owned retail network than the prices charged on the same products sold to our third-party retailers. Therefore, the increase in sales through our self-owned retail outlets and retail points accounted for a large portion of our revenue increase during this period.

Cost of sales and gross profit

Our cost of sales increased by RMB31.2 million, or 21.0%, to RMB180.0 million for the three months ended 31 March 2011 from RMB148.8 million for the three months ended 31 March 2010, primarily due to greater sales of our tea products, as reflected by the 70.9% increase in our revenue during this period. Our higher sales led to an increase in our cost of inventories due to the greater amount of raw materials used in our operations, higher labour costs for the classifying and packaging of our products and greater depreciation of plant, property and equipment as we expanded the scale of our business. Our revenue increased faster than our cost of sales mainly due to the increase in sales through our self-owned retail network, where we charged higher prices than the wholesale prices we charged our third-party retailers.

As a result of the foregoing, our gross profit increased by RMB159.4 million, or 132.6%, to RMB279.6 million for the three months ended 31 March 2011 from RMB120.2 million for the three months ended 31 March 2010, with our gross profit margin increasing to 60.8% for the three months ended 31 March 2011 from 44.7% for the three months ended 31 March 2010.

Distribution costs

Our distribution costs increased by RMB67.4 million, or 157.1%, to RMB110.3 million for the three months ended 31 March 2011 from RMB42.9 million for the three months ended 31 March 2010, primarily due to the continued expansion of our self-owned retail network. The greater number of self-owned retail outlets and retail points necessitated increased expenditure on sales personnel and higher operating lease payments. We also had greater advertising costs and free trial expenses, which contributed to our higher sales and revenue during this period. In addition, we had higher sales commission expenses resulting from the concession fees imposed on sales from our self-owned retail points, which are located in hypermarkets and department stores and which increased in number during this period as well as on sales by Xiamen Apex, which pays sales commission to third-party hypermarkets.

FINANCIAL INFORMATION

Administrative expenses

Our administrative expenses increased by RMB21.8 million, or 143.4%, to RMB37.0 million for the three months ended 31 March 2011 from RMB15.2 million for the three months ended 31 March 2010, mainly due to the expansion of our business operations. We employed greater numbers of administrative personnel, leading to higher salary costs. The increasing number of our self-owned retail outlets and retail points also resulted in higher expenditures on utilities and pre-opening costs, as well as greater depreciation of property, plant and equipment.

Other income

Other income decreased by RMB0.7 million, or 46.7%, to RMB0.8 million for the three months ended 31 March 2011 from RMB1.5 million for the three months ended 31 March 2010, primarily due to decreases in government tax incentives of RMB0.4 million and a decline in income from sales of scrap materials of RMB0.2 million.

Finance income

Our finance income increased by RMB0.1 million, or 50.0%, to RMB0.3 million for the three months ended 31 March 2011 from RMB0.2 million for the three months ended 31 March 2010, primarily due to higher interest income received on short-term bank deposits.

Finance costs

Our finance costs increased by RMB2.2 million, or 75.9%, to RMB5.1 million for the three months ended 31 March 2011 from RMB2.9 million for the three months ended 31 March 2010, primarily due to the increase in interest expenses mainly as a result of increased bank borrowings.

Income tax expense

Our income tax expense increased by RMB14.8 million, or 75.9%, to RMB34.3 million for the three months ended 31 March 2011 from RMB19.5 million for the three months ended 31 March 2010, primarily due to the increase in our profit before tax as our total taxable income increased, partially offset by a decrease in our effective tax rate to 26.6% from 31.3% resulting from the decrease in withholding income tax on distributable profits that Tenfu HK and Ten Rui HK received from our PRC subsidiaries as dividends for the corresponding periods.

Profit for the period

As a result of the foregoing factors, our profit for the period increased by RMB51.6 million, or 120.3%, to RMB94.5 million for the three months ended 31 March 2011 from RMB42.9 million for the three months ended 31 March 2010. Correspondingly, our net profit margin increased to 20.6% from 15.9% for the relevant periods.

FINANCIAL INFORMATION

Year Ended 31 December 2010 Compared with Year Ended 31 December 2009

Revenue

Our revenue increased by RMB554.3 million, or 80.0%, to RMB1,247.0 million in 2010 from RMB692.7 million in 2009, primarily due to growth in sales of tea leaves, tea snacks and tea ware. Revenue from sales of our tea leaves increased by RMB375.2 million, or 74.8%, to RMB876.6 million in 2010 from RMB501.4 million in 2009. Revenue from our tea snacks increased by RMB84.2 million, or 72.2%, to RMB200.8 million in 2010 from RMB116.6 million in 2009. Revenue from our tea ware increased by RMB82.3 million, or 157.4%, to RMB134.6 million in 2010 from RMB52.3 million in 2009. The expansion of our sales network, in particular the increase in our self-owned retail outlets and retail points, was the primary driver behind the revenue increases across all three operating segments.

The significant increase in our revenue was primarily attributable to the significant increase in our self-owned retail outlets and retail points because we sold the same type of products to ultimate customers at our self-owned retail outlets and retail points at a price approximately 66.7%-150.0% higher than we sold such products to third-party retailers, according to our pricing policy. Please see the paragraph headed “Description of Principal Income Statement Items – Revenue” in this prospectus for information on our pricing policy. As a result, the increase in the sales through our self-owned retail outlets and retail points accounted for a large portion of our revenue increase in 2010.

Cost of sales and gross profit

Our cost of sales increased by RMB167.9 million, or 43.1%, to RMB557.3 million in 2010 from RMB389.4 million in 2009, primarily due to increases in the sales volumes of our tea products, while our revenue increased by 80.0% over the same period. The increase in our sales led to greater costs of inventory, as we required more raw materials, incurred higher labour costs associated with the classifying and packaging of our products and recorded greater depreciation of the property, plant and equipment. In 2010, our revenue increased faster than our cost of sales mainly because of the increase in sales through our self-owned retail outlets and retail points, where we charged higher prices on the products we sold directly to ultimate consumers than the wholesale prices we charged on the products we sold to third-party retailers, as well as greater economies of scale due to the increase in our sales volume. The greater economies of scale was reflected in the decrease, as a percentage of the cost of sales, of our labour costs, to 3.5% in 2010 from 4.0% in 2009, and depreciation of property, plant and equipment, to 1.3% in 2010 from 1.8% in 2009, even as our costs of inventory increased as a percentage of our cost of sales to 93.4% in 2010 from 92.5% in 2009. As a result of the foregoing, our gross profit increased by RMB386.4 million, or 127.4%, to RMB689.7 million in 2010 from RMB303.3 million in 2009, with our gross profit margin increasing to 55.3% in 2010 from 43.8% in 2009.

Distribution costs

Our distribution costs increased by RMB218.9 million, or 407.6%, to RMB272.6 million in 2010 from RMB53.7 million in 2009, primarily due to the increase in the number of our self-owned retail outlets and retail points. This increase resulted in greater numbers of sales personnel employed to support the expansion of our business and higher operating lease payments for our self-owned retail outlets and retail points. In addition, our advertising costs and free trial expenses increased in connection with increased promotion and marketing activities, in line with our higher sales and revenue during this period. The introduction of concession fees imposed on sales from our self-owned retail points also contributed to higher distribution costs.

FINANCIAL INFORMATION

Administrative expenses

Our administrative expenses increased by RMB52.0 million, or 94.4%, to RMB107.1 million in 2010 from RMB55.1 million in 2009, as we expanded our business operations, in particular our self-owned retail outlets and retail points. The expansion of our sales network required the employment of greater numbers of administrative personnel leading to higher total salary costs, as well as higher utilities expenses and higher pre-opening costs incurred for the opening of our new stores. We also experienced greater depreciation due to capital expenditures incurred for the expansion of our sales network. Our administrative expenses remained stable as a percentage of revenue during this period due to the offsetting effect of efficiencies derived from the growing scale of our business.

Other income

Other income increased by RMB4.1 million, or 83.7%, to RMB9.0 million in 2010 from RMB4.9 million in 2009, primarily due to the increase in tax incentives of RMB4.8 million from the local governments of Xiamen and Zhangzhou, partially offset by the decrease in the investment property rental income of RMB2.7 million due to the disposal of certain investment property in 2009.

Finance income

Our finance income increased by RMB0.6 million, or 150%, to RMB1.0 million in 2010 from RMB0.4 million in 2009, primarily due to increases in interest income from short-term bank deposits, as well as net foreign exchange gains.

Finance costs

Our finance costs increased by RMB0.4 million, or 4.3%, to RMB9.8 million in 2010 from RMB9.4 million in 2009, primarily due to increases in interest expense as a result of increased bank borrowings, proceeds from which were used for working capital and to expand our sales network.

Income tax expense

Our income tax expense increased by RMB36.4 million, or 67.0%, to RMB90.7 million in 2010 from RMB54.3 million in 2009, primarily due to a significant increase in total taxable income for our business, as well as an increase in our effective tax rate to 28.9% for 2010 from 28.1% for 2009.

Profit for the year

As a result of the foregoing factors, our profit for the year increased by RMB84.1 million, or 60.5%, to RMB223.0 million in 2010 from RMB138.9 million in 2009. Our net profit margin decreased from 20.1% in 2009 to 17.9% in 2010, primarily due to increases in our distribution costs and administrative expenses as we expanded our sales network, in particular the increase in our self-owned retail outlets and retail points.

FINANCIAL INFORMATION

Year Ended 31 December 2009 Compared with Year Ended 31 December 2008

Revenue

Our revenue increased by RMB121.7 million, or 21.3%, to RMB692.7 million in 2009 from RMB571.0 million in 2008, driven by growth in sales of tea leaves and tea snacks, which was partially offset by a decrease in sales of tea ware. Revenue from sales of our tea leaves increased to RMB501.4 million in 2009 from RMB389.9 million in 2008, due to the expansion of our sales network, particularly as a result of the increase in wholesales of tea leaves to third-party retailers to RMB427.7 million in 2009 from RMB344.1 million in 2008. Revenue from our tea snacks increased to RMB116.6 million in 2009 from RMB106.7 million in 2008, also due to the expansion of our sales network. Revenue from our tea ware decreased to RMB52.3 million in 2009 from RMB56.8 million in 2008, primarily due to the decrease in demand for certain tea ware.

Cost of sales and gross profit

Our cost of sales increased by RMB74.5 million, or 23.7%, to RMB389.4 million in 2009 from RMB314.8 million in 2008, due to increases in our sales. This increase in sales led to higher costs of inventory as we acquired more raw materials, and greater depreciation of property, plant and equipment in our operations. Our labour costs decreased by 5.4% during this period primarily because we ceased producing tea ware by ourselves and began directly procuring finished tea ware from third-party suppliers in 2009, which resulted in lower labour costs attributed to tea ware production. Our revenue increased by 21.3% over the same period.

In 2009, our cost of sales increased faster than our revenue mainly because of the increase in raw materials prices, which was primarily due to increases in the costs of tea ware. We ceased producing tea ware in our own factories and purchased finished tea ware products from third-party suppliers starting from 2009. We purchased finished tea ware from third-party suppliers at prices that were higher than those we paid for raw materials attributable to the tea ware that we produced by ourselves in 2008. As a result, although our gross profit increased by RMB47.2 million, or 18.4%, to RMB303.3 million in 2009 from RMB256.1 million in 2008, our gross profit margin decreased to 43.8% in 2009 from 44.9% in 2008. The decrease in our gross profit margin for the period was also due to a lower profit margin for tea ware, which decreased to 28.8% for 2009 from 48.8% for 2008, primarily because we ceased producing tea ware in our own factories in 2008, which generally commanded higher gross profit margin than we purchased finished tea ware products from third-party suppliers starting from 2009.

Distribution costs

Our distribution costs decreased by RMB12.1 million, or 18.4%, to RMB53.7 million in 2009 from RMB65.8 million in 2008, primarily due to the decrease in advertising costs of RMB26.8 million as a result of our switch from television advertising to other less costly forms of advertising. In particular, we ceased to advertise through China Central Television (中國中央電視台) in 2009, which cost approximately RMB25.8 million in 2008. These lower advertising costs were partially offset by an increase in operating lease payments of RMB8.6 million in connection with the growth in the number of our self-owned retail outlets and retail points, as well as an increase in salary payments to sales personnel due to greater numbers of personnel employed to support the expansion of our sales network.

FINANCIAL INFORMATION

Other income

Other income increased by RMB2.0 million, or 69.0%, to RMB4.9 million in 2009 from RMB2.9 million in 2008, primarily due to increases in the rental income from our investment properties by Zhangzhou Tenfu.

Administrative expenses

Our administrative expenses increased by RMB14.8 million, or 36.7%, to RMB55.1 million in 2009 from RMB40.3 million in 2008, primarily due to the increase in salaries of our administrative personnel of RMB6.8 million as the expansion of our sales network required the employment of greater numbers of administrative personnel. In addition, the growth in our self-owned retail outlets and retail points resulted in higher depreciation, utilities expenses and pre-opening costs.

Finance income

Our finance income increased by RMB0.2 million, or 100.0%, to RMB0.4 million in 2009 from RMB0.2 million in 2008, primarily due to increases in interest income attributable to the increases in the balances of our short-term bank deposits.

Finance costs

Our finance costs increased by RMB0.1 million, or 1.1%, to RMB9.4 million in 2009 from RMB9.3 million in 2008, primarily due to higher interest expenses payable on our bank borrowings, proceeds from which were used for working capital and the expansion of our sales network.

Income tax expense

Our income tax expense increased by RMB20.8 million, or 62.1%, to RMB54.3 million in 2009 from RMB33.5 million in 2008, primarily due to the increase in our taxable income and a higher effective tax rate of 28.1% for 2009, compared to 23.5% for 2008.

Profit for the year

As a result of the foregoing factors, our profit for the year increased by RMB29.7 million, or 27.2%, to RMB138.9 million in 2009 from RMB109.2 million in 2008. Our net profit margin increased from 19.1% in 2008 to 20.1% in 2009.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

We historically met our working capital and other capital requirements principally from cash generated from our operations, bank borrowings and capital contributions by our Shareholders.

The following table sets forth a summary of our net cash flows for the periods indicated:

	Year Ended 31 December			Three Months Ended 31 March	
	2008	2009	2010	2010	2011
	<i>RMB in millions</i>				
	<i>(unaudited)</i>				
Net cash inflow from operating activities	10.6	114.9	42.4	66.2	220.8
Net cash (outflow)/inflow from investing activities	(61.1)	(99.8)	73.4	(6.6)	(99.1)
Net cash inflow/(outflow) from financing activities	<u>53.2</u>	<u>104.3</u>	<u>195.1</u>	<u>(12.5)</u>	<u>(160.9)</u>
 Net increase/(decrease) in cash and cash equivalents	2.7	119.4	310.9	47.1	(39.2)
Effect of foreign exchange rate changes	–	–	(1.4)	–	(0.9)
Cash and cash equivalents as of 1 January	<u>19.1</u>	<u>21.8</u>	<u>141.2</u>	<u>141.2</u>	<u>450.7</u>
 Cash and cash equivalents at end of the year/period	<u><u>21.8</u></u>	<u><u>141.2</u></u>	<u><u>450.7</u></u>	<u><u>188.3</u></u>	<u><u>410.6</u></u>

Net Cash Inflow from Operating Activities

Our net cash generated from our operating activities in the three months ended 31 March 2011 was RMB220.8 million, primarily reflecting a net cash inflow from operations before changes in working capital of RMB142.5 million, a decrease in trade and other receivables and prepayments of RMB114.0 million mainly due to a decrease in trade and other receivables and partially offset by an increase in prepayments for lease of property and lease deposit and prepayments for raw materials purchases, and a decrease in inventories of RMB42.9 million in line with the seasonality of our business, whereby we generally purchase and maintain a higher inventory level towards the end of the previous year to prepare for our peak season and subsequently lower our inventory levels through higher sales activity in the first quarter of the following year, our peak season. Such cash inflow was partially offset by a decrease of RMB33.9 million in our trade and other payables, primarily due to lower levels of trade payables due to third parties and related parties and employee benefit payables and we paid income tax of RMB39.7 million.

FINANCIAL INFORMATION

Our net cash generated from operating activities in 2010 was RMB42.4 million, primarily reflecting a net cash inflow from operations before changes in working capital of RMB352.9 million and an increase in trade and other payables of RMB39.6 million, partially offset by an increase in trade and other receivables and prepayments of RMB158.4 million mainly due to an increase in trade and other receivables and an increase in prepayment for lease of property and lease deposit, an increase in inventories of RMB72.4 million, and an income tax payment of RMB109.4 million.

Our net cash generated from operating activities in 2009 was RMB114.9 million, primarily reflecting a net cash inflow from operations before changes in working capital of RMB221.6 million and an increase in trade and other payables of RMB46.3 million, partially offset by an increase in trade and other receivables and prepayments of RMB68.8 million, an increase in inventories of RMB32.6 million, and an income tax payment of RMB42.3 million.

Our net cash generated from operating activities in 2008 was RMB10.6 million, primarily reflecting a net cash inflow from operations before changes in working capital of RMB171.6 million and an increase in trade and other payables of RMB3.6 million, partially offset by an increase in inventories of RMB71.4 million, an increase in trade and other receivables and prepayments of RMB65.3 million, and an income tax payment of RMB18.4 million.

Net Cash (Outflow)/Inflow from Investing Activities

Our net cash used in investing activities in the three months ended 31 March 2011 was RMB99.1 million, primarily reflecting expenditures for the purchase of property, plant and equipment of RMB91.9 million related to the acquisition of three floors of an office building and the purchase of buildings, vehicles, furniture, fittings and equipment for our self-owned retail outlets and the acquisition of sales business (net of cash) of RMB8.5 million for acquiring Xiamen Apex in January 2011, as well as retail outlets and retail points from third parties, partially offset by dividends received from a jointly controlled entity, Zhangzhou Tenfu Oil Limited, of RMB1.0 million.

Our net cash generated from investing activities in 2010 was RMB73.4 million, primarily reflecting the decrease in amounts due from third parties of RMB146.6 million attributable to the repayment of loans to Tian Fu Industry and Zhangzhou Tenfu Tea College in the previous years and a decrease in amounts due from related parties of RMB34.7 million, partially offset by the purchase of property, plant and equipment of RMB79.6 million primarily due to the acquisition of buildings occupied by our self-owned retail outlets and the acquisition of sales business (net of cash) of RMB26.7 million due to the acquisition of retail outlets and retail points from third parties.

The loans to Tian Fu Industry and Zhangzhou Tenfu Tea College were incurred in 2008 and 2009 and fully repaid in 2010. The loans did not bear any interest. As advised by our PRC legal advisers, the loans to Tian Fu Industry and Zhangzhou Tenfu Tea College did not comply with the Lending General Provisions (1996) (貸款通則). However, as advised by our PRC legal advisers, based on their current understanding and interpretation of the Lending General Provisions (1996) (貸款通則), such non-compliance will result in the loans being potentially unenforceable but will not result in any administrative penalties. Further, since the loans were repaid in full in 2010, any non-compliance arising from such loans no longer subsists.

FINANCIAL INFORMATION

Our net cash used in investing activities in 2009 was RMB99.8 million, primarily reflecting the increase of RMB59.4 million in amounts due from third parties attributable to our lending to Tian Fu Industry and Zhangzhou Tenfu Tea College, an increase in amounts due from related parties of RMB30.4 million and the purchase of property, plant and equipment of RMB24.5 million primarily due to the construction of our plants, the acquisition of equipment, partially offset by the proceeds from disposal of investment properties and property, plant and equipment of RMB22.0 million.

Our net cash used in investing activities in 2008 was RMB61.1 million, primarily reflecting the purchase of property, plant and equipment of RMB50.5 million due to the construction of our plants and the acquisition of equipment, and the increase of RMB17.9 million in amounts due from a third party attributable to our lending to Zhangzhou Tenfu Tea College.

Net Cash Inflow/(Outflow) from Financing Activities

Our net cash used in financing activities in the three months ended 31 March 2011 was RMB160.9 million, primarily reflecting the payment of dividends to the equity holders of our Company amounting to RMB69.3 million, a decrease in amounts due to related parties of RMB46.0 million reflecting decreases in both trade related and non-trade related amounts due to related parties, and repayments of bank borrowings of RMB52.2 million, partially offset by proceeds from bank borrowings of RMB3.7 million.

Our net cash generated from financing activities in 2010 was RMB195.1 million, primarily reflecting proceeds from bank borrowings of RMB446.0 million and capital contribution from equity holders of our Company of RMB193.2 million, partially offset by repayments of bank borrowings of RMB306.0 million and the payment of dividends to the equity holders of our Company of RMB149.5 million.

Our net cash generated from financing activities in 2009 was RMB104.3 million, primarily reflecting proceeds from bank borrowings of RMB280.0 million, partially offset by repayments of bank borrowings of RMB163.0 million.

Our net cash generated from financing activities in 2008 was RMB53.2 million, primarily reflecting proceeds from bank borrowings of RMB215.0 million and the increase in amounts due to related parties of RMB35.4 million, partially offset by repayments of bank borrowings of RMB199.4 million.

FINANCIAL INFORMATION

NET CURRENT ASSETS

The table sets forth the breakdown of our current assets and current liabilities as of the dates indicated:

	As of 31 December			As of	As of
	2008	2009	2010	31 March	31 July
	<i>RMB in millions</i>				
	<i>(unaudited)</i>				
Current assets					
Inventories	148.6	190.9	299.2	267.2	368.3
Trade and other receivables	254.0	402.2	354.1	191.8	182.9
Prepayments	10.2	23.8	70.5	115.0	137.3
Restricted cash	–	5.5	3.5	7.2	14.9
Cash and cash equivalents . .	21.8	141.2	450.7	410.6	181.3
Time deposit	–	–	–	–	55.6
Total current assets	434.6	763.6	1,178.0	991.8	940.3
Current liabilities					
Trade and other payables . . .	135.5	179.6	260.2	184.6	141.8
Dividend payable	–	–	157.7	88.4	3.1
Current income tax liabilities	18.9	28.8	30.9	18.7	18.2
Borrowings	143.0	256.3	399.0	351.2	366.8
Total current liabilities	297.4	464.7	847.8	642.9	529.9
Net current assets	137.2	298.9	330.2	348.9	410.4

As of 31 July 2011, we had net current assets of RMB410.4 million.

FINANCIAL INFORMATION

CAPITAL EXPENDITURES

Capital expenditures for our operations primarily comprised expenditures for the purchase of land use rights, investment properties, property, plant and equipment and intangible assets in connection with the construction of our plant and the expansion of our sales network. The following table sets forth our capital expenditures for our operations for the periods indicated.

	Year Ended 31 December			Three Months Ended 31 March	
	2008	2009	2010	2010	2011
	<i>RMB in millions</i>			<i>(unaudited)</i>	
Land use rights	0.0	2.3	4.7	–	–
Investment properties	0.1	–	–	–	–
Property, plant and equipment	50.9	26.2	92.7	11.6	92.8
Intangible assets	1.0	0.4	2.1	0.0	0.2
Total	52.0	28.9	99.5	11.6	93.0

During the Track Record Period, our capital expenditures increased to RMB93.0 million for the three months ended 31 March 2011 from RMB11.6 million for the three months ended 31 March 2010, primarily due to an increase in expenditures on property, plant and equipment of RMB80.9 million for the purchase of three floors of an office building. Similarly, our capital expenditures increased to RMB99.5 million for 2010 from RMB28.9 million for 2009, primarily due to an increase in expenditures on property, plant and equipment of RMB66.5 million in connection with the expansion of our self-owned retail network. Our capital expenditures decreased to RMB28.9 million for 2009 from RMB52.0 million for 2008, primarily due to lower expenditure on property, plant and equipment during this period.

WORKING CAPITAL

Taking into account expected cash generated from our operations, available bank borrowings and the estimated net proceeds from the Global Offering, our Directors confirm that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

FINANCIAL INFORMATION

INVENTORY

Our inventory comprise raw materials (including packaging materials), work-in-progress and finished products. The following table sets forth a breakdown of our inventory as of the dates indicated.

	As of 31 December			As of 31 March
	2008	2009	2010	2011
	<i>RMB in millions</i>			
Raw materials	41.4	63.5	78.7	69.0
Work-in-progress	46.7	55.6	68.7	50.8
Finished goods	60.5	71.8	151.8	147.4
Total	148.6	190.9	299.2	267.2
Average inventory turnover days . .	127	157	158	142

During the Track Record Period, our inventory decreased by 10.7% from RMB299.2 million as of 31 December 2010 to RMB267.2 million as of 31 March 2011, primarily reflecting the seasonality of our business, as we generally purchase and maintain higher inventory levels at the end of the preceding year and subsequently lower our inventories through relatively higher sales activity in the first quarter of the following year, our peak season. Our inventory increased by 56.7% from RMB190.9 million as of 31 December 2009 to RMB299.2 million as of 31 December 2010, primarily due to the expansion of our sales network, in particular the increase in our self-owned retail outlets and retail points which required us to maintain certain inventory levels, as well as the increase in our classifying and sales volume. Our inventory increased by 28.5% from RMB148.6 million as of 31 December 2008 to RMB190.9 million as of 31 December 2009, primarily due to the expansion of our business and the increase in our classifying and sales volume as a result.

Our inventory turnover days (calculated as the average of the beginning and ending inventory balances for the period, divided by the cost of sales for the period, multiplied by the number of days in the period) decreased from 158 days in 2010 to 142 days in the three months ended 31 March 2011, reflecting both the seasonality of our business and improved utilisation of our inventory. Our inventory turnover days increased from 127 days in 2008 to 157 days in 2009 and further to 158 days in 2010. The increase in inventory turnover days from 2009 to 2010 was primarily due to the increase in our self-owned retail outlets and retail points, which usually require us to maintain certain inventory levels, whereas we do not maintain inventory on behalf of third-party retailers. This increase was partially offset by improved management of the raw materials and work-in-progress at our classifying plants. The increase in inventory turnover days from 2008 to 2009 was primarily due to the increase in our classifying and packaging volume at our plants as well as the expansion of our business operations.

As of 31 July 2011, inventory of approximately RMB201.3 million, which was part of the ending balance as of 31 March 2011, had been utilised or sold.

To increase the utilisation of inventory, we are (i) continuing to improve the monitoring of our inventory levels by upgrading and optimising our IT systems; (ii) allocating our products more efficiently to meet market demand, and thereby lowering the levels of inventory held, as we expand the scale of our operations and our sales network; and (iii) engaging in seasonal promotional activities to enhance sales and thereby reduce our inventory levels.

FINANCIAL INFORMATION

We did not recognise any losses on obsolete inventory or write-down of inventory for the periods ended 31 December 2008, 2009 and 2010 and 31 March 2011.

TRADE AND OTHER RECEIVABLES

Our trade receivables represent primarily the balances due from third-party retailers, to whom we provide credit terms, generally for a maximum of 140 days if purchases were made at the beginning of each yearly quarter and for a minimum of 50 days if purchases were made at the end of each yearly quarter starting from 2011. See the section entitled “Business – Our sales network – Third-party owned retail outlets and retail points” in this prospectus. In 2008, 2009 and 2010, we typically granted credit terms of up to 180 days to our third-party retailers. In 2011, in order to expedite and improve the collection of trade receivables and based on our past experience of the time necessitated for the settlement of our trade receivables, we shortened the credit terms we offer our third-party retailers from up to 180 days to a maximum of 140 days. The following table sets forth a breakdown of our trade and other receivables as of the dates indicated and the average turnover days of our trade receivables (calculated as the average of the beginning and ending balances for the period, divided by revenue from wholesales to third-party retailers plus sales from our self-owned retail points¹ and sales through other sales channel mainly representing sales to Samoa Group, Xiamen Apex (prior to the acquisition of it in January 2011) and Ten Ren U.S.A. for the period, multiplied by the number of days in the period) for the periods indicated:

	As of 31 December			As of 31 March 2011
	2008	2009	2010	
	<i>RMB in millions</i>			
Current				
Trade receivables – due from third parties	157.7	211.5	331.0	183.0
Trade receivables – due from related parties	1.6	4.0	5.9	1.1
Less: provision for impairment of trade receivables	(0.4)	(0.6)	–	–
Trade receivables – net	158.9	214.9	336.9	184.1
Receivables due from a third party	87.2	146.6	–	–
Receivables due from related parties	4.3	34.7	–	–
Other receivables from a Financial Investor	–	–	6.7	–
Others	3.6	6.0	10.5	7.6
Total	254.0	402.2	354.1	191.7
Average trade receivables turnover days	80	109	179	104

¹ Trade receivables arise out of wholesales to third-party retailers and sales from self-owned retail points in department stores and hypermarkets and sales through other sales channel mainly representing sales to Samoa Group, Xiamen Apex (prior to the acquisition of it in January 2011) and Ten Ren U.S.A., to which we grant certain credit terms. For the self-owned retail points, our customers pay for the products through the collection system in the department stores and hypermarkets, and we settle the sales payments with the department stores and hypermarkets within one to two months upon the books close at the end of each month.

FINANCIAL INFORMATION

Our trade and other receivables decreased from RMB354.1 million as of 31 December 2010 to RMB191.7 million as of 31 March 2011, primarily due to the settlement of receivables due from third parties resulting from increased efforts at expediting the collection of trade receivables and shortening the credit term extended to third-party retailers. Our trade and other receivables decreased from RMB402.2 million as of 31 December 2009 to RMB354.1 million as of 31 December 2010, primarily due to the settlement of receivables due from Tian Fu Industry and Zhangzhou Tenfu Tea College, which was partially offset by the increase in trade receivables due to the expansion of our business. Our trade and other receivables increased 58.3% from RMB254.0 million as of 31 December 2008 to RMB402.2 million as of 31 December 2009, primarily due to the increase in trade receivables as a result of growth of our business and the increase in other receivables due from third parties resulting from the lending to Tian Fu Industry and Zhangzhou Tenfu Tea College.

Our trade receivables turnover days decreased from 179 days in 2010 to 104 days in the three months ended 31 March 2011 mainly because we increased our efforts at expediting the collection of trade receivables, and shortened the credit term extended to third-party retailers from six months to a maximum of 140 days. Our trade receivables turnover days increased from 80 days in 2008 to 109 days in 2009 and further to 179 days in 2010. The increase in trade receivables turnover days from 2009 to 2010 was primarily because of the following reasons. We typically granted credit terms of up to 180 days to our third-party retailers in 2008, 2009 and 2010. In addition, in order to encourage certain third-party retailers with long-standing relationships to open new stores or to maintain the presence of their existing stores in strategically important regions in alignment with our business expansion, we normally collected the trade receivables from these third-party retailers between 180 days to 330 days after the end of the credit term of 180 days in 2010. In three cases, we collected the trade receivables from these third-party retailers between 390 days to 510 days on top of the credit term of 180 days. Because these third-party retailers had stores in regions that were strategically important to us, and in order to support these third-party retailers to maintain those business operations, we proceeded with the receivables collection several months after the receivables were due. We consider these cases to be exceptional and note the significant improvements in receivables collection and decrease in the trade receivables turnover days in the first quarter of 2011. As of 31 March 2011, all of the trade receivables that were past due as of 31 December 2010 had been collected and the trade receivables turnover days decreased to 104 days in the three months ended 31 March 2011.

Further, the trade receivables balances from our self-owned retail points as of 31 December 2010 substantially increased compared to the balances as of 31 December 2009, as a result of the increase in our self-owned retail points in department stores and hypermarkets. These department stores and hypermarkets usually settle the sales payments with us within one to two months after we close the books at the end of each month pursuant to the concession agreements. Finally, our third-party retailers usually substantially increase their procurement at the end of the year in preparation for the sales during the Chinese New Year, which occurred relatively early in 2011, leading to a significant impact on our trade receivables as of 31 December 2010 and the turnover days for 2010 as a result. The increase in trade receivables turnover days from 2008 to 2009 was primarily due to the increase in our wholesales to third-party retailers in 2009.

FINANCIAL INFORMATION

As of 31 July 2011, trade receivables of approximately RMB151.0 million, which were part of the ending balance as of 31 March 2011, had been settled.

The following table sets forth the aging analysis of our trade and other receivables as of the dates indicated:

	As of 31 December			As of 31 March 2011
	2008	2009	2010	2011
	<i>RMB in millions</i>			
Up to six months	153.5	185.0	292.4	184.1
Six months to one year	5.5	28.2	24.8	–
One year to two years	0.3	2.3	19.7	–
Total	159.3	215.5	336.9	184.1

The following table sets forth the aging analysis of trade receivables that were past due but not impaired:

	As of 31 December			As of 31 March 2011
	2008	2009	2010	2011
	<i>RMB in millions</i>			
Past due within six months	5.5	28.2	24.8	–
Past due in six months to two years . . .	0.3	2.3	19.7	–
	5.8	30.5	44.5	–

The following table sets forth the aging analysis of trade receivables that were impaired and provided for:

	As of 31 December			As of 31 March 2011
	2008	2009	2010	2011
	<i>RMB in millions</i>			
Six months to one year	0.4	–	–	–
One year to two years	0.1	2.3	–	–
Two years to three years	–	–	–	–
	0.5	2.3	–	–

FINANCIAL INFORMATION

The following table sets forth the movements on our provision for impairment of trade receivables are as follows:

	Year Ended 31 December			Three Months Ended 31 March
	2008	2009	2010	2011
	<i>RMB in millions</i>			
At 1 January	0.1	0.4	0.6	–
Provision for/(reversal of) receivables impairment	0.3	0.2	(0.6)	–
Receivables written off during the year/period as uncollectible	–	–	–	–
At 31 December/31 March	<u>0.4</u>	<u>0.6</u>	<u>–</u>	<u>–</u>

Our trade receivables that were past due but not impaired decreased from RMB44.5 million as of 31 December 2010 to zero as of 31 March 2011, primarily due to our increased efforts at expediting the collection of trade receivables during that period, such that as of 31 March 2011, all of our trade receivables balances were aged within six months. Our trade receivables that were past due but not impaired increased from RMB5.8 million as of 31 December 2008 to RMB30.5 million as of 31 December 2009 and to RMB44.5 million as of 31 December 2010, primarily because we did not collect trade receivables in a timely manner from certain third-party retailers with long-standing relationships to encourage them to open new stores or to maintain the presence of stores in strategically important regions in alignment with our business expansion.

We determine the amount of provision for trade receivables based on our past experience, historical results and reasonable estimate of the likelihood of collection based on our review of third-party retailers' background and payment history. Our Directors believe that we made adequate provision for our trade receivables during the Track Record Period. The amounts of provision for impaired trade and other receivables was RMB0.4 million, RMB0.6 million, zero and zero as of 31 December 2008, 2009 and 2010 and 31 March 2011, respectively.

FINANCIAL INFORMATION

TRADE AND OTHER PAYABLES

Our trade and other payables principally comprise payables to our raw materials suppliers. Due to our long-standing relationships with our major suppliers, we generally enjoy favourable credit terms of 30 days up to 60 days upon the receipt of invoice from the suppliers. The following table sets forth a breakdown of the trade and other payables as of the dates indicated and our average turnover days of trade payables (calculated as the average of the beginning and ending trade payables balances for the period, divided by cost of sales for the period, multiplied by the number of days in the period) for the periods indicated:

	As of 31 December			As of
	2008	2009	2010	31 March 2011
<i>RMB in millions</i>				
Trade payables – due to third parties . . .	26.9	37.4	73.1	69.0
Trade payables – due to related parties . .	5.4	20.8	21.6	7.3
Total trade payables	32.3	58.2	94.7	76.3
Other taxes payable	6.0	5.4	15.1	10.3
Employee benefit payables	4.0	5.8	31.4	17.2
Accrued operating expenses	0.9	4.6	14.9	16.7
Advances from customers	0.8	19.7	8.2	6.2
Amounts due to related parties	81.7	74.5	83.9	37.9
Others	9.9	11.4	12.0	19.9
Total	135.6	179.6	260.2	184.5
Trade payables turnover days	33	42	49	43

Our trade payables turnover days decreased from 49 days in 2010 to 43 days in the three months ended 31 March 2011, primarily due to decreases in trade payables due to third parties and related parties, as well as higher cost of sales reflecting our increased sales activity and revenue for the period. The increase in our trade payables turnover days from 33 days in 2008 to 42 days in 2009 and further to 49 days in 2010 was primarily because our suppliers provided us with longer credit terms as our business expanded and our credibility among our suppliers increased.

As of 31 July 2011, trade payables of approximately RMB57.9 million, which were part of the ending balance as of 31 March 2011, had been settled.

FINANCIAL INFORMATION

The following table sets forth a summary of the age of our trade payables as of the dates indicated:

	As of 31 December			As of
	2008	2009	2010	31 March 2011
	<i>RMB in millions</i>			
Up to six months	29.2	55.1	91.6	73.1
Six months to one year	–	–	0.0	0.0
One year to two years	3.1	–	–	0.0
Over two years	–	3.1	3.1	3.1
Total	32.3	58.2	94.7	76.3

INTANGIBLE ASSETS

We had intangible assets of RMB1.2 million, RMB1.3 million, RMB2.9 million and RMB2.9 million as of 31 December 2008, 2009 and 2010 and 31 March 2011, respectively. The increases in our intangible assets were primarily due to the purchase of financial software.

INDEBTEDNESS

Bank Borrowings

Our indebtedness during the Track Record Period principally consisted of bank borrowings.

	As of 31 December			As of	As of
	2008	2009	2010	31 March 2011	31 July 2011
	<i>RMB in millions</i>				<i>(unaudited)</i>
Non-current					
Non-current portion of long-term bank borrowings ⁽¹⁾	–	3.7	0.7	–	–
Current					
Current portion of long-term bank borrowings ⁽¹⁾	–	2.2	3.0	–	–
Short-term bank borrowings ⁽²⁾	143.0	254.1	396.0	351.2	366.8
	143.0	256.3	399.0	351.2	366.8
Total bank borrowings	143.0	260.0	399.7	351.2	366.8

Notes:

- (1) The long-term bank borrowings as of 31 December 2009 and 2010 were mortgaged bank borrowings.
- (2) RMB58.0 million, RMB56.5 million, RMB93.5 million, RMB67.2 million and RMB94.7 million of the short-term bank borrowings were mortgaged bank borrowings as of 31 December 2008, 2009 and 2010, 31 March 2011 and 31 July 2011, respectively. The rest of the short-term bank borrowings were unsecured bank borrowings.

FINANCIAL INFORMATION

As of 31 March 2011, all of our non-current bank borrowings and some of our current bank borrowing were secured by land use rights of our Group and bank deposits or guaranteed by related parties. See Note 18 of the Accountant's Report in Appendix I to this prospectus. As of 31 March 2011, substantially all of our bank borrowings were denominated in Renminbi. As of 31 July 2011, some of our current bank borrowings were secured by land use rights of our Group and bank deposits or guaranteed by related parties. As of 31 July 2011, substantially all of our bank borrowings were denominated in Renminbi. The effective interest rates for our short-term bank borrowings were 6.65%, 5.11%, 5.07%, 5.02% and 5.07% in 2008, 2009, 2010, the three months ended 31 March 2011 and the seven months ended 31 July 2011, respectively. For the seven months ended 31 July 2011, we had both fixed interest rate bank borrowings and floating rate bank borrowings.

As of 31 July 2011, we had total bank borrowings of RMB366.8 million.

As of the date of this prospectus, guarantees provided by related parties have been fully released.

The table below sets forth the maturity profiles of our bank loans as of the dates indicated.

	As of 31 December			As of
	2008	2009	2010	31 March 2011
	<i>RMB in millions</i>			
Up to one year	143.0	256.3	399.0	351.2
One year to five years	–	3.7	0.7	–

As of the Latest Practicable Date, save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, our Group did not have outstanding any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Gearing Ratio

Gearing ratio represents total debt as a percentage of total capital. Total debt is calculated as total borrowings (including “current and non-current borrowings” as shown in the consolidated balance sheets). Total capital is calculated as “equity” as shown in the consolidated balance sheets plus total debt. Our gearing ratio was 25.7%, 32.0%, 37.6% and 31.7% as of 31 December 2008, 2009 and 2010 and 31 March 2011, respectively. The increase in our gearing ratio during 2008, 2009 and 2010 was primarily due to increases in bank borrowings attributable to working capital and the expansion of our retail network. Our gearing ratio decreased during the first quarter of 2011 primarily due to decreases in our bank borrowings and increases in our total capital driven by higher net profit earned during this period.

Contingent Liabilities and Guarantees

As of 31 December 2009, Zhangzhou Tenfu provided guarantee to a related party, Anxi Tenfu Tea Company Limited in connection with Anxi Tenfu Tea Company Limited's short-term borrowing, amounting to RMB15.0 million. The short-term borrowing was repaid by Anxi Tenfu Tea Company Limited in May 2010.

FINANCIAL INFORMATION

Capital and Other Commitments

(a) Capital commitments

Our capital commitments comprise unpaid amounts under executed agreements for land use rights, which represent premiums to be paid for the right to use certain land, and for purchasing property, plant and equipment, primarily in relation to the construction of plants. The table below sets forth capital expenditure contracted for but not yet incurred as of the dates indicated:

	As of 31 December			As of
	2008	2009	2010	31 March 2011
	<i>RMB in millions</i>			
Land use rights	7.9	7.9	–	–
Property, plant and equipment	–	3.1	–	15.5
	<u>7.9</u>	<u>11.0</u>	<u>–</u>	<u>15.5</u>

(b) Operating lease commitments

We lease various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between one to five years, and the majority of our lease agreements are renewable at the end of the lease period at market rate.

	As of 31 December			As of
	2008	2009	2010	31 March 2011
	<i>RMB in millions</i>			
No later than one year	7.6	39.3	73.7	82.9
Later than one year and no later than five years	19.1	79.5	136.7	139.8
Later than five years	15.7	17.6	30.0	34.1
	<u>42.4</u>	<u>136.4</u>	<u>240.4</u>	<u>256.8</u>

Off-Balance Sheet Commitments and Arrangements

As of the Latest Practicable Date, we had no off-balance sheet commitments or arrangements.

Subsequent Changes

Our Directors have confirmed that there has not been any material change to the indebtedness or contingent liabilities of our Group since 31 July 2011.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

Current Ratio and Quick Ratio

Our current ratio, calculated by dividing current assets by current liabilities, was 1.5, 1.6, 1.4 and 1.5 as of 31 December 2008, 2009 and 2010 and 31 March 2011, respectively, while our quick ratio, calculated by dividing current assets less inventories by current liabilities, was 1.0, 1.2, 1.0 and 1.1 as of 31 December 2008, 2009 and 2010 and 31 March 2011, respectively. The increase in our current and quick ratios from 31 December 2010 to 31 March 2011 was primarily because current liabilities decreased at a faster rate than current assets, with lower levels of trade and other payables, dividend payable, current income tax liabilities and borrowings. The decrease in our current and quick ratios between 2009 and 2010 was primarily because current liabilities increased at a higher rate than current assets, mainly due to an increase in our trade and other payables and borrowings of RMB80.6 million and RMB142.7 million, respectively, to support our expanding sales network and the growing scale of our business, as well as a dividend declaration of RMB307.2 million, of which RMB157.7 million remained payable as of 31 December 2010. The increase in our current and quick ratios between 2008 and 2009 was primarily because current assets increased at a faster rate than current liabilities, mainly due to higher levels of trade and other receivables and cash in connection with higher sales and revenue.

Return on Equity

Return on equity represents net profit as a percentage of the arithmetic mean of the opening and closing balances of total equity for the relevant period. Our return on equity was 30.5%, 28.8% and 36.7% in 2008, 2009 and 2010, respectively. The increase in our return on equity in 2010 compared to 2009 was primarily due to faster growth in our net profit and higher net profit margins as we expanded our self-owned retail network and recorded higher revenues. The slight decrease in our return on equity in 2009 compared to 2008 was primarily due to slower net profit growth compared to our increasing shareholders' equity base. Our return on equity was 7.5% and 13.3% for the three months ended 31 March 2010 and 2011, respectively. The increase was primarily due to faster growth in our net profit and higher net profit margins as we expanded our self-owned retail network and recorded higher revenues.

Return on Assets

Return on assets represents net profit as a percentage of the arithmetic mean of the opening and closing balances of total assets for the relevant period. Our return on assets was 17.5%, 15.9% and 17.4% in 2008, 2009 and 2010, respectively. The increase in our return on assets in 2010 compared to 2009 was primarily due to faster growth in our net profit and higher net profit margins as a result of our wider self-owned retail presence and higher revenues, even as we increased our average total assets during this period. The decrease in our return on assets in 2009 compared to 2008 was primarily due to our net profit growth being outpaced by the increase in our total assets in connection with our business expansion. Our return on assets was 3.9% and 6.4% for the three months ended 31 March 2010 and 2011, respectively. The increase was primarily due to faster growth in our net profit and higher net profit margins as we expanded out self-owned retail network and recorded higher revenues, even as we increased our average total assets during this period.

FINANCIAL INFORMATION

MARKET RISKS

We are exposed to various types of market risks, including foreign currency exchange rate risk, interest rate risk, inflation risk and liquidity risk.

Foreign Exchange Rate Risk

Foreign exchange rate risk refers to the risk that movement in foreign currency exchange rates will affect our Group's financial results and cash flows. Substantially all of our turnover, costs and expenses, assets and debt are denominated in Renminbi. As a result, our management does not believe we are currently exposed to significant foreign exchange rate risk. However, as we expand our operations, we may incur a significant amount of debt in a currency other than Renminbi. In this case, we would be exposed to risks related to the exchange rate and the currency in which our debt is denominated. A depreciation of Renminbi would require us to use more Renminbi funds to service the same amount of foreign currency debt. In addition, as the proceeds of the Global Offering will be in Hong Kong Dollars, any appreciation of the Renminbi against the Hong Kong Dollar will adversely affect the amount of proceeds we receive in terms of Renminbi. On the other hand, a depreciation of Renminbi would adversely affect the value of any dividends we pay to our Shareholders subsequent to the Global Offering. We currently do not engage in hedging activities designed or intended to manage such exchange rate risk. Because the Renminbi is not freely convertible, our ability to reduce foreign exchange rate risk is limited.

Inflation Risk

According to National Bureau of Statistics of China, the PRC's overall national inflation rate, as represented by changes in the general consumer price index, was 5.9%, (0.7%), 3.3% and 5.0% for the years ended 31 December 2008, 2009 and 2010 and the month of March 2011, respectively. Although there can be no assurance as to the impact in future periods, inflation did not have a significant effect on our business during the Track Record Period.

Interest Rate Risk

Our interest rate risk relates primarily to our bank deposits and bank borrowings. We currently have not entered into interest rate swaps to hedge against our exposure to changes in fair values of our borrowings. It is our policy to maintain an appropriate level between our borrowings so as to balance the fair value and cash flow interest rate risk. In addition, to the extent that we may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debts. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of our debt obligations. We currently do not use any derivative instruments to manage our interest rate risk. To the extent we decide to do so in the future, there can be no assurance that any future hedging activities will protect us from fluctuations in interest rates.

Liquidity risk

We aim at maintaining flexibility in funding by maintaining adequate amount of cash and cash equivalents. We expect to fund our future cash flow needs through internally generated cash flows from operations as well as bank borrowings.

FINANCIAL INFORMATION

PROPERTY VALUATION

Vigers Appraisal & Consulting Limited, an independent property valuer, has valued the property interests of our Group, comprising our operations, as of 31 July 2011. Texts of its letters, summary of valuation and valuation certificates issued by Vigers are included in Appendix IV to this prospectus.

The table below sets forth the reconciliation of the net book value of our property interests as of 31 March 2011, as set out in Appendix I to this prospectus, to the market value of our property interests as of 31 July 2011, as included in the property valuation report in Appendix IV to this prospectus:

	<i>RMB in million</i>
Net book value of property interests of our Group as of 31 March 2011 (audited), as set out in Appendix I to this prospectus:	
Leasehold land and land use rights	19.2
Investment properties	5.2
Buildings (from Property, Plant and Equipment)	207.6
Net book value of property interests as of 31 March 2011 (audited)	232.0
Movements from 31 March 2011 to 31 July 2011 (unaudited)	64.1
Net book value of property interests as of 31 July 2011 (unaudited)	296.1
Less: Net book value of certain new office building as of 31 July 2011 (unaudited) ⁽¹⁾	(79.9)
	216.2
Market value of property interests as of 31 July 2011, as set out in the property valuation report in Appendix IV to this prospectus:	264.7
Valuation surplus	48.5

Note:

- (1) We acquired three floors of an office building in the three months ended 31 March 2011. As of 31 July 2011, we did not obtain real estate ownership certificates for these three floors of the new office building. Our property valuer has valued it no commercial value due to it is not freely transferrable. We have obtained the ownership certificates for these three floors of the new office building in August 2011.

DISTRIBUTABLE RESERVES

As of 31 March 2011, our Company's distributable reserves available for distribution to its Shareholders were RMB191.1 million.

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there had been no circumstances that would give rise to the disclosure requirement under Rules 13.13 to Rule 13.19 of the Listing Rules had the Shares been listed on the Stock Exchange.

FINANCIAL INFORMATION

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2011

On the bases and assumptions set out in Appendix III to this prospectus, and in the absence of unforeseen circumstances, we estimate that the our unaudited consolidated net profit attributable to equity holders of our Company and the unaudited pro forma forecast earnings per Share as follows:

Forecast consolidated profit attributable to equity holders of our Company ⁽¹⁾	not less than RMB290.8 million (approximately HK\$354.9 million)
Unaudited pro forma forecast earnings per Share ⁽²⁾	not less than RMB0.24 (approximately HK\$0.29)

Notes:

- (1) The bases and assumptions on which the above profit forecast has been prepared are summarized in the section headed “Appendix III – Profit Forecast” in this prospectus. Our Directors have prepared the forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2011 based on our audited consolidated result for the three months ended 31 March 2011, the unaudited management accounts for the four months ended 31 July 2011 and the forecast of the consolidated results for the remaining five months ending 31 December 2011. The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by our Group as set out in Note 2 of Section II of the section entitled “Appendix I – Accountant’s Report” in this prospectus.
- (2) The unaudited pro forma forecast earnings per Share is calculated by dividing the forecast consolidated profit attributable to the equity holders of our Company for the year ending 31 December 2011, assuming that our Company had been listed since 1 January 2011 and a total of 1,227,207,460 Shares to be in issue immediately upon completion of the Capitalisation Issue and the Global Offering were issued and outstanding during the entire period. The calculation takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any shares which may be issued upon exercise of the options granted under the Share Option Scheme, any shares which may be allotted and issued or repurchased by our Company pursuant to a general mandate.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group, prepared in accordance with Rule 4.29 of the Listing Rules, is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of our Group attributable to equity holders of our Company as of 31 March 2011 as if the Global Offering had taken place on 31 March 2011.

FINANCIAL INFORMATION

This unaudited pro forma adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of 31 March 2011 or at any future date.

	Audited consolidated net tangible assets of our Group attributable to equity holders of our Company as of 31 March 2011⁽¹⁾	Estimated net proceeds from the Global Offering⁽²⁾	Unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company as of 31 March 2011	Unaudited pro forma adjusted net tangible assets per Share	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB⁽³⁾</i>	<i>HK\$⁽⁶⁾</i>
Based on an Offer Price of HK\$4.80 per Share	755,311	751,629	1,506,940	1.23	1.50
Based on an Offer Price of HK\$6.80 per Share	755,311	1,081,509	1,836,820	1.50	1.83

Notes:

- (1) The unadjusted audited consolidated net tangible assets attributable to the equity holders of our Company as of 31 March 2011 is extracted from the section entitled "Appendix I – Accountant's Report" in this prospectus, which is based on the audited consolidated net assets of our Group attributable to the equity holders of our Company as of 31 March 2011 of RMB758.2 million with an adjustment for the intangible assets of RMB2.9 million.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$4.80 to HK\$6.80 per Share, being the lower end to higher end of the stated offer price range, after deduction of the underwriting fees and other related expenses payable by our Company and takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of the options granted or to be granted under the Share Option Scheme or any shares which may be allotted and issued or repurchased by our Company pursuant to a general mandate.
- (3) The unaudited pro forma net tangible assets per Share is arrived after adjustments referred to in the preceding paragraphs and on the basis of 1,227,207,460 Shares are in issue assuming that the Global Offering and the Capitalisation Issue have been completed on 31 March 2011, but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of the options granted or to be granted under the Share Option Scheme or any shares which may be allotted and issued or repurchased by our Company pursuant to a general mandate.
- (4) By comparing the valuation of our Group's property interests of RMB264.7 million as set out in Appendix IV to this prospectus and the unaudited net book value of these properties as of 31 July 2011, the net revaluation surplus is approximately RMB48.5 million, which has not been included in the above net tangible assets attributable to equity holders of our Company as of 31 March 2011. The revaluation of our Group's property interests will not be incorporated in our Group's financial information. If the revaluation surplus is to be included in our Group's financial information, an additional depreciation charge of approximately RMB2.4 million per annum related to buildings, investment properties and leasehold land and land use rights would be recorded.
- (5) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to 31 March 2011.
- (6) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi are converted into Hong Kong dollars at a rate of HK\$1.00 to RMB0.8193. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

FINANCIAL INFORMATION

DIVIDENDS AND DIVIDEND POLICY

We declared a dividend of RMB5.0 million, zero, RMB307.2 million and zero to our then shareholders in the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, respectively. Amongst the declared dividends, we paid RMB5.0 million as of 31 December 2008 and RMB149.5 million as of 31 December 2010, respectively. We did not make any other dividends or distributions to our Shareholders during the Track Record Period. Our historical distributions of dividends are not indicative of our future declarations of dividends.

Our Board may declare dividends in the future after taking into account our financial and business conditions, earnings, capital requirements and other factors as it may deem relevant at such time. Any declaration and payment, as well as the amount of, dividends will be subject to the requirements of our constitutional documents and Cayman Company Law. Our Shareholders in general meeting must approve any declaration of dividends, which may not exceed the amount recommended by our Board. In addition, our Directors may from time to time pay such interim dividends as appear to our Board to be justified by our profits, or special dividends of such amounts and on such dates as they think fit. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

Future dividends payments will also depend upon the availability of dividends received from our subsidiaries in the PRC. PRC laws require that dividends be paid only out of accumulated profits as determined in accordance with accounting standards and regulations in the PRC. Each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profit under PRC accounting standards each year (after offsetting prior years' losses) to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. These reserves are not available for distribution as cash dividends.

Subject to the considerations and constraints above, we currently intend to distribute as dividends to all our Shareholders approximately 20% of our consolidated net profit after tax in respect of the year ending 31 December 2011.

NO SIGNIFICANT INTERRUPTIONS

Our Directors confirm that there have been no interruptions in our business that may have a significant effect on our results of operations and financial position in the last 12 months.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the Latest Practicable Date, there had been no material adverse change in our financial or trading position since 31 March 2011.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

Our primary goal is to grow our business and increase market share by leveraging our strong market position and sales network and the anticipated economic growth in the the PRC tea market. To accomplish this, we will continue to expand and optimise our network of retail outlets and retail points and enhance our brands' reputation and consumer awareness of our brands. We will continue to research and develop new tea and tea related products and continue to enhance the efficiency and effectiveness of our supply chain, and continue to expand our processing and distribution systems and improve on cost management. In addition, we plan to continue to retain, develop and attract talented personnel. For further detailed discussion of our future plans, please see the section entitled "Business – Our Strategies" in this prospectus.

Following our Listing, our Company or our Controlling Shareholders may consider seeking a listing of our Shares on an overseas stock exchange. However, at this stage, we do not have any definitive plans for such listing and any pursuit of such listing will depend on a number of factors including, market conditions, the capital needs, financial position of our Company and the relevant regulatory requirements.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,118.7 million, after deducting the underwriting fees and expenses payable by us in the Global Offering, and assuming an offer price of HK\$5.80 per Share, being the mid-point of the Offer Price range stated in this prospectus. We intend to use these net proceeds for the following purposes:

- approximately 40%, or HK\$447.5 million, to expand and optimise our network of self-owned retail outlets and retail points over the next five years. Based on our current plans and subject to, amongst others, prevailing market conditions at the relevant times, this will include a net increase of approximately 75 self-owned retail outlets and retail points per year for the next five years through the establishment of new self-owned retail outlets and retail points (21.0%) and the acquisition of retail outlets and retail points from our third-party retailers which fit our expansion plan and have good financial performance and past compliance records (1.5%). The major cost components for establishing self-owned retail outlets include rental deposits, renovations, fittings, furniture and equipment. In addition, approximately 17.5% of our net proceeds will be used for the refurbishment of existing premises of self-owned retail outlets and retail points;
- approximately 25%, or HK\$279.7 million, to acquire store premises for the operation of self-owned retail outlets which fit our criteria, such as whether the locations of the premises are in affluent commercial areas in core and non-core cities in the PRC, whether the projected financial performance of retail outlets established on such store premises meets our expectations and whether such store premises are free from property title defects. We believe such acquisition of store premises will help us to secure prime locations for our self-owned retail outlets in core and non-core cities in the PRC, avoid relocation due to the end of a tenancy and allow us to reduce any upward pressure in rental price increases in the PRC;
- approximately 15%, or HK\$167.8 million, to maintain and promote our brands and enhance consumer awareness of our brands in the PRC through effective targeted marketing and promotional activities, including advertising, free trials and gifts and other promotional activities;

FUTURE PLANS AND USE OF PROCEEDS

- approximately 10%, or HK\$111.9 million, to expand our production capacity for primarily our tea leaves packaging and tea snacks production and packaging facilities when suitable acquisition opportunities arise and/or suitable construction sites that fit our criteria can be identified, including whether the location of the site is close to tea growing regions and convenient for transportation; and
- the remainder (not more than 10% of our net proceeds) to provide funding for our working capital and other general corporate purposes and improvement of our capital structure.

Should the Offer Price be determined in between the low end Offer Price of HK\$4.80 per Offer Share and the mid-point Offer Price of HK\$5.80 per Offer Share, the net proceeds that we receive will decrease up to approximately HK\$208.6 million, in which case we intend to reduce the net proceeds to be allocated for the above purposes on a pro-rata basis.

Should the Offer Price be determined from the mid-point Offer Price of HK\$5.80 per Offer Share to the maximum Offer Price of HK\$6.80 per Offer Share, we estimate to receive an additional sum of up to HK\$208.6 million and if the Over-allotment Option is exercised in full, we estimate to receive an additional sum of up to HK\$212.8 million, which sum we intend to use for the purpose of expanding and optimising our sales network by establishing new or acquiring retail outlets or retail points from our third-party retailers. To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes, the Directors may allocate part or all of the proceeds to short-term interest-bearing deposits and/or money-market instruments with authorised financial institutions and/or licensed banks in Hong Kong and/or the PRC.

UNDERWRITING

HONG KONG UNDERWRITERS

Joint Lead Managers

Credit Suisse (Hong Kong) Limited

China International Capital Corporation Hong Kong Securities Limited

Polaris Securities (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Public Offer, our Company is initially offering 20,862,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus and the Application Forms.

Subject to:

- (a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and such listing and permission not subsequently being revoked; and
- (b) certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and the Joint Global Coordinators (on behalf of the Underwriters)),

the Hong Kong Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer, on the terms and conditions set out in this prospectus, and the Application Forms. If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed, becoming unconditional and not having been terminated.

UNDERWRITING

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination if, at any time before 8:00 a.m. on the Listing Date:

- (i) there develops, occurs, exists or comes into force:
 - (A) any event or series of events resulting in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, fiscal or market conditions or sentiments (including, without limitation, conditions and sentiments in stock and bond markets, money and foreign exchange markets and inter-bank markets in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Taiwan, Japan, Singapore or Canada (collectively the “**Relevant Jurisdictions**”), a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States; or
 - (B) any new law or regulation or any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or
 - (C) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption or delay in transportation) in or affecting any of the Relevant Jurisdictions; or
 - (D) without limiting the foregoing, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdiction; or
 - (E) the imposition or declaration of (a) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange or the Tokyo Stock Exchange or (b) any moratorium on banking activities or a material disruption in banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdiction; or
 - (F) any adverse change or prospective adverse change in the condition (financial or otherwise) or in the earnings, business, financial or trading position or prospects of our Group as a whole; or
 - (G) any change or prospective change in taxation or exchange controls, currency exchange rates or foreign investment regulations adversely affecting an investment in the Shares; or
 - (H) any litigation or claim being threatened or instigated against any member of our Group; or

UNDERWRITING

- (I) any change or development involving a prospective change, or a materialisation of, any of the risks set out under the section entitled “Risk Factors” in this prospectus; or
- (J) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (K) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (L) a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (M) the commencement by any regulatory body or organisation of any public action against any member of the Group or a Director or an announcement by any regulatory body or organisation that it intends to take any such action; or
- (N) other than with the approval of the Joint Global Coordinators, the issue or requirement to issue by our Company of a supplement or amendment to this prospectus or the international offering circular expected to be issued by our Company in connection with the International Placing (the “**Offering Circular**”) (or other documents used in connection with the contemplated offering of the Offer Shares) pursuant to the Companies Ordinance, the Listing Rules or any other applicable laws; or
- (O) a Director being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or
- (P) the chairman or chief executive officer of our Company vacating his office; or
- (Q) a contravention by any member of our Group of the Listing Rules or applicable Laws; or
- (R) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or
- (S) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws;

and which, in any such case in the sole and absolute opinion of the Joint Global Coordinators (for itself and on behalf of the Hong Kong Underwriters):

- (a) is or will be or may be materially adverse to, or materially and prejudicially affect, the business or financial or trading position or prospects of our Group as a whole; or

UNDERWRITING

- (b) has or will have or may have a material adverse effect on the success of the Global Offering; or
 - (c) makes or will or may make it impracticable, inadvisable or inexpedient for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offer or the Global Offering to be performed or implemented as envisaged; or
 - (d) makes or will or may make it impracticable, inadvisable or inexpedient to proceed with the Hong Kong Public Offer and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or
- (ii) it or there shall have come to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:
- (A) that any statement contained in this prospectus, the Application Forms, the formal notice to be issued by our Company in connection to the Global Offering and any announcements in the agreed form issued by our Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) was or has become untrue, incorrect or misleading in any material respect or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus and the Application Forms and/or any notices or announcements issued by or on behalf of our Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (B) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus or the Application Forms, not having been disclosed in this prospectus or the Application Forms, constitute a omission therefrom; or
 - (C) any of the warranties given by our Company and Relevant Covenantors in the Hong Kong Underwriting Agreement is (or would when repeated at that time be) untrue or breached; or
 - (D) any event, act or omission which gives or is likely to give rise to any liability of any of our Company and Relevant Covenantors pursuant to the indemnities given by it under the Hong Kong Underwriting Agreement; or
 - (E) any breach of any of the obligations of any party (other than the Joint Sponsors or the Hong Kong Underwriters) to the Hong Kong Underwriting Agreement or any of the Price Determination Agreement, the Receiving Banker Agreement, the Branch Registrar's Agreement and the Registrar's Agreement; or
 - (F) there shall have been any material adverse change or prospective material adverse change in the business or the financial or trading position of our Group as a whole; or
 - (G) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

UNDERWRITING

- (H) our Company has withdrawn this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
- (I) any person (other than the Joint Global Coordinators and any of the Underwriters) has withdrawn its consent to being named in any of the Offering Documents or to the issue of any of this prospectus, the Application Forms, the international offering circular expected to be issued by our Company in connection with the International Placing.

Listing Rules obligations

Pursuant to Rule 10.08 of the Listing Rules, no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued by our Company, or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing) subject to certain exceptions as stated in Rules 10.08(1) to 10.08(4) of the Listing Rules.

Undertakings

We have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) will be issued or form the subject of any agreement to such an issue within six months from the date on which Shares first commence dealing on the Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except for the issue of shares, the listing of which has been approved by the Stock Exchange, pursuant to a share option scheme or similar arrangement under Chapter 17 of the Listing Rules, or any capitalisation issue, capital reduction or consolidation or sub-division of Shares.

We have undertaken with the the Joint Sponsors, Joint Global Coordinators and each of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement that except (i) pursuant to the Global Offering (including pursuant to the Over-allotment Option) or (ii) in relation to granting of share options under the Share Option Scheme and the allotment of Shares upon the valid exercise of such share options, we will not, without the prior written consent of the Joint Global Coordinators (on behalf of itself and the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time from the date of the Hong Kong Underwriting Agreement until the expiry of six months from the Listing Date offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, hedge, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of our share capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive such share capital), or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein, or deposit any part of our Company's share capital with a depository in connection with the issue of depository receipts, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise or offer or agree or announce any intention to do any of the foregoing.

UNDERWRITING

Each of the Relevant Covenantors has undertaken with each of the Joint Sponsors, the Joint Global Coordinators, each of the Hong Kong Underwriters and us that:

- (i) except pursuant to the Stock Borrowing Agreement or otherwise as disclosed in this prospectus, it will not and will procure that none of its associates or companies controlled by it or any nominee or trustee holding in trust for it will, without the prior written consent of the Joint Global Coordinators and unless in compliance with the requirements of the Listing Rules, at any time from the date of the Hong Kong Underwriting Agreement until the expiry of six months from the Listing Date (the "First Six-Month Period"), offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital, or other securities of our Company or any interest therein held by it (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of our Company or any interest therein) or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise or offer or agree or announce any intention to do any of the foregoing; and
- (ii) during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), it will not and will procure that none of its associates or companies controlled by it or any nominee or trustee holding in trust for it will, without the prior written consent of the Joint Global Coordinators, offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital, or other securities of our Company or any interest therein held by it (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of our Company or any interest therein) or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise or offer or agree or announce any intention to do any of the foregoing where it would result in the Relevant Covenantors ceasing to be Controlling Shareholders.

Each of the Relevant Covenantors has undertaken with the Joint Sponsors, the Joint Global Coordinators, each of the Hong Kong Underwriters and us that, in the event of it entering into or agreeing to enter into any of the foregoing transactions above in respect of any of the share capital of our Company or any interest therein within the Second Six-Month Period, it will take all reasonable steps to ensure that it will not create a disorderly or false market for the Shares.

Each of the Relevant Covenantors has undertaken with the Joint Sponsors, the Joint Global Coordinators, each of the Hong Kong Underwriters and us that it and its associates will not, and we agree to procure that none of our Directors nor their respective associates will, apply for any of the Offer Shares pursuant to the Global Offering, either directly or indirectly, whether in its own name or through nominees.

UNDERWRITING

Each of the Relevant Covenantors has further undertaken with the Joint Sponsors, the Joint Global Coordinators, each of the Hong Kong Underwriters and us that, in the event that the Joint Global Coordinators gives its written consent in respect of the above restrictions on transfer of our Shares, within the period commencing on the date of this prospectus and ending on the date which is twelve months after the Listing Date, it will immediately inform us, the Joint Sponsors and the Joint Global Coordinators of:

- (a) any pledges or charges of any Shares or other securities of our Company beneficially owned by us, together with the number of Shares or other securities of our Company so pledged or charged and the purpose for which such pledge or charge is to be created; and
- (b) any indication received by it, either verbal or written, from the pledgee or chargee of any Shares or other securities of our Company pledged or charged that any Shares or other securities of our Company so pledged or charged will be disposed of.

We have agreed and have undertaken with the Joint Sponsors, the Joint Global Coordinators and each of the Hong Kong Underwriters that upon receiving such information in writing from any of the Relevant Covenantors in respect of the above matters (if any), we shall immediately notify the Stock Exchange and make a public disclosure in relation to such information by way of announcement.

We have undertaken with the Joint Sponsors and each of the Hong Kong Underwriters that we shall not effect any purchase of Shares, or agree to do so, which may reduce the holding of Shares in the “public hands” (as such expression means under the Listing Rules) below the relevant prescribed minimum percentage as is set out and calculated in accordance with the Listing Rules or such lower percentage as may be approved by the Stock Exchange from time to time without obtaining the prior written consent of the Joint Sponsors.

Each of Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Shih-Wei hereby undertakes with each of the Joint Global Coordinators, the Joint Sponsors, the Hong Kong Underwriters and the Company that without the prior written consent of the Joint Global Coordinators and unless in compliance with the requirements of the Listing Rules, at any time from the date of the Hong Kong Underwriting Agreement until the expiry of the Second Six-Month Period, offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital, or other securities of Discerning Group Limited, Trackson Investments Limited or Tiger Nature or any interest therein held by him (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of Discerning Group Limited, Trackson Investments Limited or Tiger Nature or any interest therein) or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise or offer or agree or announce any intention to do any of the foregoing.

UNDERWRITING

Hong Kong Underwriters' interests in our Company

Save as disclosed in the sections entitled “Pre-IPO Investments” and “Underwriting – Sponsors' Independence” in this prospectus, and save for their obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters is interested directly or indirectly in any shares or securities in our Company or any other member of our Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in our Company or any other member of our Group.

International Placing

International Underwriting Agreement

In connection with the International Placing, we expect to enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally agree to purchase the International Placing Shares or procure purchasers for the International Placing Shares initially being offered pursuant to the International Placing. Please see the section entitled “Structure of the Global Offering – The International Placing” in this prospectus for further details.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of Credit Suisse on behalf of the International Underwriters from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offer to require us to allot and issue up to an aggregate of 31,293,000 additional Shares, representing 15% of the number of Offer Shares initially available under the Global Offering at the Offer Price to, amongst other things, cover over-allocations in the International Placing, if any.

Total commission and expenses

The Hong Kong Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of all the Hong Kong Offer Shares initially being offered under the Hong Kong Public Offer, out of which they will pay any sub-underwriting commissions. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, if any, the International Underwriters will be paid an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the International Underwriters, but not the Hong Kong Underwriters. In addition, we may, in our sole discretion, pay the Joint Global Coordinators an additional incentive fee of up to 1.0% of the total Offer Price of the Offer Shares from the Global Offering (including any proceeds pursuant to the exercise of the Over-allotment Option).

The aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in aggregate to approximately HK\$91.3 million (assuming no exercise of the Over-allotment Option and an Offer Price of HK\$5.80 per Share, being the mid-point of the stated range of the Offer Price between HK\$4.80 and HK\$6.80 per Share).

We have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

UNDERWRITING

SPONSORS' INDEPENDENCE

KCL Trust

Credit Suisse Trust Limited is the Trustee of The KCL Trust, a discretionary trust set up by Mr. Lee Chia Ling, our executive Director. The beneficiaries of The KCL Trust include family members of Mr. Lee Chia Ling. As at the Latest Practicable Date, Credit Suisse Trust Limited holds 100% of the issued share capital of Tiger Nature, which in turn holds 100% of the issued share capital of Trackson Investments Limited. It is expected that upon Listing, Trackson Investments Limited will hold approximately 30.76% of the issued share capital of our Company (assuming the Over-allotment Option is not exercised).

Accordingly, Credit Suisse is not independent from us pursuant to Rule 3A.07 of the Listing Rules.

Share Subscription Agreement

Pursuant to a share subscription agreement dated 15 December 2010 entered into by our Company, Mr. Lee Rie-Ho, Mr. Lee Chia Ling, and, amongst others, Pearl Ever Group Limited (“PEGL”), an affiliate of CICC, our Company agreed to issue to, amongst others, PEGL, and PEGL agreed to subscribe for, 2,492,916 ordinary shares each with a par value of HK\$0.10 in the issued share capital of our Company. Such share subscription agreement was completed on 20 December 2010 and PEGL holds 2,492,916 Shares representing 2.45% of the total issued share capital of our Company as of the Latest Practicable Date and 2.03% of the total issued share capital of our Company upon the completion of the Global Offering (assuming the Over Allotment Option is not exercised). Further details of such share subscription agreement are set out in the section entitled “Pre-IPO Investment” in this prospectus.

Notwithstanding the above, CICC has declared its independence from us pursuant to Rule 3A.08 of the Listing Rules that they are independent pursuant to Rule 3A.07 of the Listing Rules.

Advisory Services

Polaris has provided advisory services to our Company with a fee in connection with the Pre-IPO Investments, further details of which are set out in the section entitled “Pre-IPO Investment” in this prospectus.

Notwithstanding the above, Polaris has declared its independence from us pursuant to Rule 3A.08 of the Listing Rules that they are independent pursuant to Rule 3A.07 of the Listing Rules.

DEALING

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 26 September, 2011, it is expected that dealings in the Shares on the Stock Exchange will commence on Monday, 26 September, 2011. The Shares will be traded on the Main Board in board lots size of 1,000 Shares each.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- (i) the Hong Kong Public Offer of 20,862,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below under “Structure of the Global Offering – The Hong Kong Public Offer”; and
- (ii) the International Placing of 187,758,000 Offer Shares (subject to adjustment and the Over-allotment Option as mentioned below) in the United States to qualified institutional buyers (as such term is defined in Rule 144A) in reliance on Rule 144A (or any other available exemption) from registration under the U.S. Securities Act, and outside the United States in reliance on Regulation S.

Credit Suisse, CICC and Polaris are the Joint Global Coordinators and Joint Bookrunners of the Global Offering.

Investors may apply for the Shares under the Hong Kong Public Offer or apply for or indicate an interest for Shares under the International Placing, but may not do both.

The number of Offer Shares to be offered under the Hong Kong Public Offer and the International Placing, respectively, may be subject to reallocation as described below under the section entitled “Structure of the Global Offering – Pricing and Allocation” in this prospectus.

PRICING AND ALLOCATION

The International Underwriters are soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective investors will be required to specify the number of International Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offer.

Pricing of the Offer Shares for the purposes of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Tuesday, 20 September 2011 but in any event not later than Thursday, 22 September 2011, and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us.

The Offer Price will be not more than HK\$6.80 per Offer Share and is currently expected to be not less than HK\$4.80 per Offer Share unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offer as further explained below. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

STRUCTURE OF THE GLOBAL OFFERING

The Joint Global Coordinators (on behalf of the Underwriters), with our consent, may reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered pursuant to the Global Offering at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, a notice of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. Such notice will also be available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.tenfu.com.

The Offer Shares to be offered in the Hong Kong Public Offer and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

Allocation of Shares pursuant to the International Placing will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The net proceeds from the Global Offering accruing to our Company are estimated to be approximately HK\$1,118.7 million. The estimated net proceeds are calculated after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Global Offering, and an Offer Price of HK\$5.80 per Offer Share, being the mid-point of the proposed Offer Price range of HK\$4.80 to HK\$6.80 per Offer Share.

The final Offer Price, level of applications in the Hong Kong Public Offer, the level of indications of interest in the International Placing, and the results of application and basis of allocations of the Hong Kong Offer Shares are expected to be announced on Friday, 23 September 2011 in the manner set out in the section entitled "How to Apply for the Hong Kong Offer Shares – Publication of Results" in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

CONDITIONS OF THE HONG KONG PUBLIC OFFER

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offer will be conditional on, among other things:

- the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued and sold as mentioned herein (including any additional shares which may be issued and sold pursuant to the exercise of the Over-allotment Option), and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Sponsors, on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the respective agreements,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 8:00 a.m. (Hong Kong time) on Monday, 26 September 2011.

If for any reason the Offer Price is not agreed between us and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse.

The consummation of each of the International Placing and the Hong Kong Public Offer is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Global Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the website of the Company (www.tenfu.com) and the Stock Exchange (www.hkexnews.hk).

In the above situation, we will return all application monies to the applicants, without interest and on the terms set out in the section entitled “How to Apply for the Hong Kong Offer Shares” in this prospectus. In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving banker or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

We expect to issue Share certificates for the Hong Kong Offer Shares on Friday, 23 September 2011. However, these Share certificates will only become valid certificates of title if (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section entitled “Underwriting” in this prospectus has not been exercised, which is expected to be at 8:00 a.m. (Hong Kong time) on the Listing Date.

STRUCTURE OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFER

The Hong Kong Public Offer is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions set out in the Hong Kong Underwriting Agreement and described in the section entitled “Structure of the Global Offering – Conditions of the Hong Kong Public Offer” in this prospectus) for the subscription in Hong Kong of, initially, 20,862,000 Offer Shares at the Offer Price, representing approximately 10% of the total number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer, the Hong Kong Offer Shares will represent approximately 1.7% of our enlarged issued share capital immediately after completion of the Global Offering but before any exercise of the Over-allotment Option.

The total number of the Offer Shares available under the Hong Kong Public Offer (after taking account of any reallocation referred to below) is to be divided equally into two pools for allocation purposes only:

- Pool A: The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million (excluding brokerage, SFC transaction levy, and Stock Exchange trading fee payable thereon) or less; and
- Pool B: The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) and up to the value of Pool B.

Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the Pools are under-subscribed, the surplus Hong Kong Offer Shares in that Pool will be transferred to the other Pool to satisfy demand in the other Pool and be allocated accordingly. For the purpose of this paragraph only, the “subscription price” for Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Shares from either Pool A or Pool B but not from both pools.

Applicants can only receive an allocation of the Hong Kong Offer Shares from either Pool A or Pool B but not from both Pools. Multiple or suspected multiple applications and any application for more than 50% of the initial number of Hong Kong Offer Shares initially included in the Hong Kong Public Offer (that is, 10,431,000 Hong Kong Offer Shares) will be rejected. Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she or any person(s) for whose benefit he or she is making the application have not indicated an interest for or applied for or taken up or been placed or allotted (including conditionally and/or provisionally) and will not indicate an interest for or apply for or take up or be placed or allotted (including conditionally and/or provisionally) any Offer Shares under the International Placing nor otherwise have participated or will participate in the International Placing, and such applicant’s application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

STRUCTURE OF THE GLOBAL OFFERING

We will reject multiple applications within Pool A or Pool B, and between the two Pools. Our Directors, the Joint Sponsors, the Hong Kong Underwriters and we will take reasonable steps to identify and reject applicants under the Hong Kong Public Offer from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Offer Shares in the Hong Kong Public Offer. Investors who have not received Offer Shares under the Hong Kong Public Offer may receive Offer Shares under the International Placing.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing, and who has made an application under the Hong Kong Public Offer, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that such investor is excluded from any application of Offer Shares under the Hong Kong Public Offer.

The Offer Price will be not more than HK\$6.80 per Offer Share and is expected to be not less than HK\$4.80 per Offer Share. Applicants for Hong Kong Offer Shares under the Hong Kong Public Offer are required to pay, on application, the maximum offer price of HK\$6.80 for each Hong Kong Offer Share. If the Offer Price as finally determined is less than the offer price of HK\$4.80 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, appropriate refund payments (including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section entitled “How to Apply for the Hong Kong Offer Shares – Refund of Application Monies”.

The allocation of Shares between the Hong Kong Public Offer and the International Placing is subject to adjustment. If the number of Offer Shares validly applied for under the Hong Kong Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offer, the total number of Offer Shares available under the Hong Kong Public Offer will be increased to 62,586,000, 83,448,000 and 104,310,000 Offer Shares, respectively, representing approximately 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated in the International Placing will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate, and such additional Offer Shares will be allocated to Pool A and Pool B. In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Placing to the Hong Kong Public Offer to satisfy valid applications under the Hong Kong Public Offer.

The Offer Shares to be offered in the Hong Kong Public Offer and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Hong Kong Public Offer.

STRUCTURE OF THE GLOBAL OFFERING

THE INTERNATIONAL PLACING

Subject to reallocation as described above, the International Placing will consist of an offer of 187,758,000 Shares, in aggregate representing 90% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option) at the Offer Price. The International Placing is subject to the Hong Kong Public Offer becoming unconditional.

Pursuant to the International Placing, the International Underwriters will conditionally place the Offer Shares with qualified institutional buyers (as such term is defined in Rule 144A) in the United States in reliance on Rule 144A or any available exemption(s) from registration under the U.S. Securities Act and outside the United States in reliance on Regulation S.

We are expected to grant the Over-allotment Option to the International Underwriters, exercisable by Credit Suisse on behalf of the International Underwriters within 30 days after the last day for lodging applications under the Hong Kong Public Offer. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, Credit Suisse (on behalf of the International Underwriters) will have the right to require us to issue up to an aggregate of 31,293,000 Shares, representing 15% of the initial number of Offer Shares to, amongst other things, cover over-allocations in the International Placing, if any. Credit Suisse may also cover such over-allocations by, among other means, purchasing Shares in the secondary market or through stock borrowing arrangements from holders of Shares or exercise of the Over-allotment Option or by a combination of these means or otherwise as may be permitted under applicable laws. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations.

THE OVER-ALLOTMENT OPTION

In connection with the Global Offering, we intend to grant the Over-allotment Option to Credit Suisse on behalf of the International Underwriters. The Over-allotment Option gives Credit Suisse the right exercisable at any time from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offer to require our Company to issue up to an aggregate of 31,293,000 Shares, representing 15% of the initial number of Offer Shares at the Offer Price solely to cover over-allocations in the International Placing, if any. Credit Suisse may also cover such over-allocations by purchasing Shares in the secondary market or by a combination of purchase in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations. In the event that the Over-allotment Option is exercised, a press announcement will be made.

In order to facilitate the settlement of over-allocations in connection with the International Placing, Credit Suisse may choose to borrow Shares from Trackson Investments Limited under the stock borrowing arrangement between Credit Suisse and Trackson Investments Limited, or acquire Shares from other sources. The stock borrowing arrangement under the Stock Borrowing Agreement will comply with the requirements set out in Rule 10.07(3) of the Listing Rules such that it will not be subject to the restrictions under Rule 10.07(1)(a) of the Listing Rules which restricts the disposal of Shares by controlling shareholders following a new listing, on the basis that such arrangement will be on the terms that (i) they will only be used for settlement of over-allocations in the International Placing; (ii) the maximum number of Shares to be borrowed from Trackson Investments Limited will be limited to the maximum number of Shares which may be issued and allotted by Credit Suisse upon exercise of the Over-allotment Option, which is limited to

STRUCTURE OF THE GLOBAL OFFERING

31,293,000 Shares or 15% of the Shares initially available under the Global Offering; (iii) the same number of Shares so borrowed must be returned to Trackson Investments Limited no later than three business days following the earlier of (a) the last date on which the additional Shares may be issued and allotted by Credit Suisse pursuant to the Over-allotment Option, and (b) the day on which the Over-allotment Option is exercised in full; (iv) borrowing of stock pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable laws and regulatory requirements; and (v) no payment will be made to Trackson Investments Limited in relation to the Stock Borrowing Agreement.

STABILISING ACTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to minimise and, if possible, prevent a decline in the initial Hong Kong Public Offer prices. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, Credit Suisse, as the stabilising manager (the “**Stabilising Manager**”), or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period commencing from the Listing Date or otherwise subject to compliance with applicable legal and regulatory requirements. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it and may be discontinued at any time, and must be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offer. The number of Shares that may be over-allocated will not be greater than the number of Shares which may be issued and/or sold upon exercise of the Over-allotment Option, being 31,293,000 Shares, which is 15% of the Shares initially available under the Global Offering.

The Stabilising Manager or any person acting for it may take all or any of the following stabilising actions in Hong Kong during the stabilisation period:

- (i) purchase, or agree to purchase, any of our Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of our Shares; and/or
- (ii) in connection with any action described in paragraph (i) above:
 - (A) (1) over-allocate our Shares; or
 - (2) sell or agree to sell our Shares so as to establish a short position in them, for the sole purpose of preventing or minimising any reduction in the market price of our Shares;

STRUCTURE OF THE GLOBAL OFFERING

- (B) exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for our Shares in order to close out any position established under paragraph (A) above;
- (C) sell or agree to sell any of our Shares acquired by it in the course of the stabilising action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; and/or
- (D) offer or attempt to do anything as described in paragraph (ii)(A)(2), (ii)(B) or (ii)(C) above.

The Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilising Manager or any person acting for it, which may include a decline in the market price of our Shares.

Stabilisation cannot be used to support the price of our Shares for longer than the stabilisation period, which begins on the day on which dealings in our Shares commence on the Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offer. The stabilisation period is expected to expire on 19 October 2011. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore their market price, could fall. A public announcement will be made within seven days after the end of the stabilising period in accordance with the Securities and Futures (Price Stabilising) Rules of the SFO.

Any stabilising action taken by the Stabilising Manager, or any person acting for it, may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilisation period. Stabilisation bids or market purchases effected in the course of the stabilising action may be made at any price at or below the Offer Price and can therefore be done at a price below the price investors have paid in acquiring our Shares.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 26 September 2011, it is expected that dealings in Shares on the Stock Exchange will commence on Monday, 26 September 2011.

HOW TO APPLY FOR HONG KONG OFFER SHARES

I. CHANNELS OF APPLYING FOR THE HONG KONG OFFER SHARES

There are three channels to make an application for Hong Kong Offer Shares. You may either (i) use a **WHITE** or **YELLOW** Application Form; (ii) apply online through the designated website of the **White Form eIPO** service provider, referred to herein as the “**White Form eIPO**” service (www.eipo.com.hk); or (iii) electronically instruct HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through **White Form eIPO** or by giving electronic application instructions to HKSCC via CCASS.

II. WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for the Hong Kong Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form, or if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a legal or natural person of the PRC (other than Hong Kong, Macau and Taiwan).

If the applicant is a firm, the application must be in the names of the individual members, not the firm’s name. If the applicant is a body corporate, the application form must be stamped with your corporation’s chop and signed by a duly authorised officer, who must state his or her representative capacity.

If you wish to apply for Hong Kong Offer Shares online through the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

If an application is made by a person duly authorised under a valid power of attorney, the Joint Global Coordinators (or its respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We, the Joint Global Coordinators or the designated **White Form eIPO** service provider (where applicable) or our or their respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The Hong Kong Offer Shares are not available to existing beneficial owners of Shares in our Company or any of our subsidiaries, our Directors or chief executive of their respective associates or any other connected persons of our Company or persons who will become our connected persons immediately upon completion of the Global Offering.

You may apply for Hong Kong Offer Shares under the Hong Kong Public Offer or indicate an interest for International Offer Shares under the International Offer, but may not do both.

III. APPLYING BY USING A WHITE OR YELLOW APPLICATION FORM

Which Application Form to use

Use a **WHITE** Application Form if you want our Hong Kong Offer Shares issued in your own name.

Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Note: The Hong Kong Offer Shares are not available to existing beneficial owners of Shares in our Company or any of our subsidiaries, directors or chief executives of our Company or any of our subsidiaries, or associates of any of them or U.S. Persons (as defined in Regulation S) or persons who do not have a Hong Kong address.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 14 September 2011 until 12:00 noon on Monday, 19 September 2011 from:

Any one of the addresses of the Joint Sponsors:

Credit Suisse (Hong Kong) Limited
Level 88, International Commerce Centre
One Austin Road West
Kowloon
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Polaris Securities (Hong Kong) Limited
Rooms 1003-4, Tower 1, Admiralty Centre
18 Harcourt Road
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

or any of the following branches of The Hongkong and Shanghai Banking Corporation Limited:

	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Hong Kong Office	Level 3, 1 Queen's Road Central
	Cityplaza Branch	Unit 065, Cityplaza I, Taikoo Shing
Kowloon	Kwun Tong Branch	No. 1, Yue Man Square, Kwun Tong
	Mong Kok Branch	Basement & U/G, 673 Nathan Road, Mong Kok
	Tsim Sha Tsui Branch	Basement & 1/F, 82-84 Nathan Road, Tsim Sha Tsui
	Whampoa Garden Branch	Shop No. G6 & 6A, G/F, Site 4, Whampoa Garden
New Territories	Tuen Mun Town Plaza Branch	Shop 1, UG/F, Shopping Arcade Phase II, Tuen Mun Town Plaza, Tuen Mun
	Shatin Plaza Branch	Shop 49, Level 1, Shatin Plaza, 21-27 Sha Tin Centre Street, Sha Tin, NT

or any of the following branches of Bank of China (Hong Kong) Limited:

	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island.	Bank of China Tower Branch	3/F, 1 Garden Road
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai
	Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui

HOW TO APPLY FOR HONG KONG OFFER SHARES

	Branch Name	Address
Kowloon.	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
	Tsim Sha Tsui East Branch	Shop G02-03, Inter-Continental Plaza, 94 Granville Road, Tsim Sha Tsui
	Kowloon Plaza Branch	Unit 1, Kowloon Plaza, 485 Castle Peak Road
	East Point City Branch	Shop 101, East Point City, Tseung Kwan O
	Mei Foo Mount Sterling Mall Branch	Shop N47-49 Mount Sterling Mall, Mei Foo Sun Chuen

or any of the following branches of Wing Lung Bank Limited:

	Branch Name	Address
Hong Kong Island	Head Office	45 Des Voeux Road Central
	Johnston Road Branch	118 Johnston Road
	North Point Branch	361 King's Road
Kowloon	Mongkok Branch	B/F Bank Centre, 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road
	Sham Shui Po Branch	111 Tai Po Road
New Territories	Tsuen Wan Branch	251 Sha Tsui Road
	Sheung Shui Branch	128 San Fung Avenue

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 14 September 2011 until 12:00 noon on Monday, 19 September 2011 from:

- (1) the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
- (2) your stockbroker, who may have such Application Forms and this prospectus available.

HOW TO APPLY FOR HONG KONG OFFER SHARES

How to complete the Application Form

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated in the Application Form.

You should note that by signing on the Application Form, among other things:

- (a) you **instruct** and **authorise** us and/or the Joint Global Coordinators (or their respective agents or nominees) as agents for us to do on your behalf all things necessary to register any Hong Kong Offer Shares allotted to you in your name(s) or HKSCC Nominees Limited, as the case may be, as required by the Memorandum of Association and Articles of Association, and otherwise to give effect to the arrangements described in this prospectus and the Application Form;
- (b) you **undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees Limited, as the case may be, to be registered as the holder of the Hong Kong Offer Shares to be allotted to you, and as required by the Memorandum of Association and Articles of Association;
- (c) you **warrant** the truth and accuracy of the information contained in your application;
- (d) you **agree** that neither HKSCC nor HKSCC nominees shall be liable to you in any way;
- (e) you **authorise** the Company to enter into a contract on your behalf with each of the Directors and officers whereby each such Director and officer undertakes to observe and comply with his obligations to the shareholders of the Company as stipulated in the Articles of Association;
- (f) if the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and none of us, the Joint Global Coordinators, the Joint Sponsors, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisers will infringe any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;
- (g) you **confirm** that you have received a copy of this prospectus and have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;
- (h) you **agree** that we, our Directors and any person who has authorised this prospectus are liable only for the information and representations contained in this prospectus and any supplement thereto;
- (i) you **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (j) (If the application is made for your benefit) you **warrant** that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the **White Form eIPO** Service Provider under the **White Form eIPO** service (www.eipo.com.hk);
- (k) (If you are an agent for another person) you **warrant** that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the **White Form eIPO** Service Provider under the **White Form eIPO** service (www.eipo.com.hk), and that you are duly authorised to sign this Application Form as that other person's agent;
- (l) you **undertake** and **confirm** that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, and have not received or been placed or allotted (including conditionally or provisionally) any Offer Shares under the International Placing or otherwise participated in the International Placing;
- (m) you **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (n) you **represent** and **warrant** that you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act and you and any person for whose account or benefit you are applying for the Hong Kong Offer Shares are non U.S. persons outside the United States acquiring Hong Kong Offer Shares in an offshore transaction (as defined in Regulation S under the U.S. Securities Act);
- (o) you **agree** to disclose to us, the Joint Sponsors, the Joint Global Coordinators, the Joint Lead Managers, the Underwriters, the Hong Kong Share Registrar, the receiving bankers and/or their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;
- (p) you **agree** with us, and each Shareholder of our Company, and we agree with each Shareholder, to observe and comply with the Companies Law and our Company's Memorandum of Association and Articles of Association;
- (q) (if the application is made by an agent on your behalf) you **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
- (r) you **undertake** and **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under this application;
- (s) you **authorise** our Company to place your name(s) or HKSCC Nominees Limited, as the case may be, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or our Company's

HOW TO APPLY FOR HONG KONG OFFER SHARES

agents to send any Share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post at your own risk to the address stated on your **WHITE** and **YELLOW** Application Form or **White Form eIPO** application (except if you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated in your **WHITE** or **YELLOW** Application Form your wish to collect your refund cheque (where applicable) and Share certificates (where applicable) in person and have provided all information required by your application form);

- (t) you **agree** that our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective directors, officers, employees, agents or advisers and any other parties involved in the Global Offering are liable only for and that you have only relied upon, the information and representations contained in the prospectus and any supplement to the prospectus;
- (u) you **agree** with our Company and each shareholder of our Company that the Shares are freely transferable by the holders thereof; and
- (v) you **confirm** that you have read the conditions and application procedures set out in the Prospectus and this Application Form and agree to bound by them.

In order for the **YELLOW** Application Forms to be valid, you, as the applicant(s), must complete the form as indicated below and sign on the Application Form. Only written signatures will be accepted. In addition:

- (i) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**
 - (a) the designated CCASS Participant must endorse the form with its Corporation chop (bearing its company name) and insert its participant I.D. in the appropriate box.
- (ii) **If the application is made by an individual CCASS Investor Participant:**
 - (a) the Application Form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and
 - (b) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.
- (iii) **If the application is made by a joint individual CCASS Investor Participant:**
 - (a) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card number of all joint CCASS Investor Participants; and
 - (b) the participant I.D. must be inserted in the appropriate box in the Application Form.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(iv) **If the application is made by a corporate CCASS Investor Participant:**

- (a) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and
- (b) the participant I.D. and Corporation chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of participant I.D. or other similar matters may render the application invalid.

If your application is made through a duly authorised attorney, we, the Joint Sponsors and the Joint Global Coordinators (or their respective agents and nominees) as our agent may accept it at our discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. We and the Joint Global Coordinators, (as agent for our Company), or their respective agents and nominees, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

How to make payment for the application

Each completed **WHITE** or **YELLOW** Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left hand corner of the Application Form.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- be drawn on your Hong Kong dollar bank account in Hong Kong;
- show your account name. This name must either be pre-printed on the cheque, or be endorsed at the back by a person authorised by the bank. This account name must correspond with your name. If it is a joint application, the account name must be that of the **first-named** applicant;
- be made payable to "HSBC Nominees (Hong Kong) Limited – Tenfu Public Offer";
- be crossed "Account Payee Only";
- not be post dated;
- each application must be accompanied by either a separate cheque or banker's cashier order; and
- the banker's cashier order must be issued by licensed bank in Hong Kong.

Your application will be rejected if your cheque does not meet all of these requirements or is dishonoured on first presentation.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you pay by banker's cashier order:

- you must purchase the banker's cashier order, and have your name certified on the back by a person authorised by the bank. The name certified on the back of the banker's cashier order and the name on the Application Form must be the same. If it is a joint application, the name on the back of such banker's cashier order must be the same as the name of the **first-named** applicant;
- the banker's cashier order must be made payable to "HSBC Nominees (Hong Kong) Limited – Tenfu Public Offer";
- the banker's cashier order must be crossed "Account Payee Only";
- the banker's cashier order must be in Hong Kong dollars;
- the banker's cashier order must not be post dated; and
- the banker's cashier order must be issued by licensed bank in Hong Kong.

Your application will be rejected if your banker's cashier order does not meet all of these requirements.

The right is reserved to present all or any remittance for payment. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Monday, 19 September 2011. We will not give you a receipt for your payment. We will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of refund cheques). The right is also reserved to retain any Share certificates and/or any surplus application monies or refunds pending clearance of your cheque or banker's cashier order.

How many applications you may make

You may make more than one application for Hong Kong Offer Shares if and only if:

You are a nominee, in which case you may both give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and lodge more than one Application Form in your own name if each application is made on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code

for **each** beneficial owner (or, in the case of joint beneficial owners, for each such beneficial owner). If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed and will be rejected.

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the designated

HOW TO APPLY FOR HONG KONG OFFER SHARES

White Form eIPO Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving **electronic application instructions** through the designated website at www.eipo.com.hk and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

It will be a term and condition of all applications that by completing and delivering an Application Form or submitting an **electronic application instruction**, you:

- (if the application is made for your benefit) warrant that the application made pursuant to the Application Form or **electronic application instructions** is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk);
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk); and that you are duly authorised to sign the Application Form or give **electronic application instructions** as that other person's agent.

Except where you are a nominee and provide the information required to be provided in your application, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk);
- both apply (whether individually or jointly with others) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC via CCASS or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk);
- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly with others) or by giving **electronic application instructions** to HKSCC via CCASS or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk); for more than 10,431,000 Shares,

HOW TO APPLY FOR HONG KONG OFFER SHARES

being 50% of the Shares initially being offered for public subscription under the Hong Kong Public Offer, as more particularly described in the section entitled “Structure of the Global Offering – The Hong Kong Public Offer”; or

- have applied for or taken up, or indicated an interest for, or have been or will be placed (including conditionally and/or provisionally) Shares under the International Placing.

Save as referred above, all of your applications will also be rejected as multiple applications if more than one application is made for your **benefit** (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control means you:

- control the composition of the board of directors of a company; or
- control more than half of the voting power of a company; or
- hold more than half of the issued share capital of a company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

Members of the public – time for applying for Hong Kong Offer Shares

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Monday, 19 September 2011, or, if the application lists are not open on that day, then by 12:00 noon on the next day the lists are open.

Your completed **WHITE** or **YELLOW** Application Form, with full payment in Hong Kong dollars attached, should be deposited in the special collection boxes provided at any of the branches of The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited and Wing Lung Bank Limited listed under the section entitled “Where to collect the Application Forms” in this prospectus at the specified times on the following dates:

Wednesday, 14 September 2011 – 9:00 a.m. to 4:30 p.m.
Thursday, 15 September 2011 – 9:00 a.m. to 4:30 p.m.
Friday, 16 September 2011 – 9:00 a.m. to 4:30 p.m.
Saturday, 17 September 2011 – 9:00 a.m. to 1:00 p.m.
Monday, 19 September 2011 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 19 September 2011.

HOW TO APPLY FOR HONG KONG OFFER SHARES

No proceedings will be taken on applications for the Hong Kong Offer Shares and no allotment of any such Hong Kong Offer Shares will be made until after the closing of the application lists. No allotment of any of our Hong Kong Offer Shares will be made until after the closing of the application lists.

Effect of bad weather on the opening of the application lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 19 September 2011. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

For the purpose of this section, business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

IV. APPLICATION BY USING WHITE FORM eIPO

- (i) You may apply through **White Form eIPO** by submitting an application through the designated website at www.eipo.com.hk. If you apply through **White Form eIPO** the Shares will be issued in your own name.
- (ii) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **White Form eIPO** Service Provider and may not be submitted to our company.
- (iii) The designated **White Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at www.eipo.com.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (iv) By submitting an application to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service, you are deemed to have authorised the designated **White Form eIPO** Service Provider to transfer the details of your application to our company and our registrars.
- (v) You may submit an application through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.eipo.com.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (vi) You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk from 9:00 a.m. on Wednesday, 14 September 2011 until 11:30 a.m. on Monday, 19 September 2011 or such later time as described under the paragraph headed “Effect of Bad Weather on the Opening of the Applications Lists” under this section (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 19 September 2011, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed “Effect of Bad Weather on the Opening of the Applications Lists” under this section above.
- (vii) You will not be permitted to submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Monday, 19 September 2011, or such later time as described under the paragraph headed “Effect of Bad Weather on the Opening of the Application Lists”, the designated **White Form eIPO** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.
- (viii) Warning: The application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the designated **White Form eIPO** Service Provider to public investors. We, our Directors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the **White Form eIPO** service will be submitted to us or that you will be allotted any Hong Kong Offer Shares.

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “Tenfu (Cayman) Holdings Company Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of DongJiang – Hong Kong Forest” project initiated by Friends of the Earth (HK).

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offer to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **white** Application Form. However, once you have submitted electronic application instructions and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **white** Application Form. Please see the section entitled “How many applications you may make” above.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Additional information for applicants applying through White Form eIPO

For the purposes of allocating Hong Kong Offer Shares, each applicant giving electronic application instructions through **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **White Form eIPO** Service Provider, the designated **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **White Form eIPO** Service Provider on the designated website at www.eipo.com.hk.

Otherwise, any monies payable to you due to a refund for any of the reasons set out below in the paragraph headed “Refund of Application Monies”.

V. ALLOTMENT OF HONG KONG OFFER SHARES, REFUND AND SHARE CERTIFICATES

Publication of results

We expect to release and announce the Offer Price, an indication of the level of interest in the International Placing and the level of application under the Hong Kong Public Offer, the results of allocations under the Hong Kong Public Offer and basis of allotment under the Hong Kong Public Offer (with successful applicant’s identifications numbers, where appropriate) on Friday, 23 September 2011 in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and on our website at www.tenfu.com and the website of the Stock Exchange at www.hkexnews.hk. The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where appropriate) under the Hong Kong Public Offer will be made available at the times and date and in the manner specified below:

- on our website at www.tenfu.com on Friday, 23 September 2011, and the website of the Stock Exchange at www.hkexnews.hk;
- from our Hong Kong Public Offer results of allocations website at www.iporeresults.com.hk on a 24-hour basis from 8:00 a.m. on Friday, 23 September 2011 to 12:00 midnight on Thursday, 29 September 2011. The user of our Hong Kong Public Offer results of allocations website at www.iporeresults.com.hk will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- from our Hong Kong Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Friday, 23 September 2011 to Monday, 26 September 2011;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and subbranches from Friday, 23 September 2011 to Saturday, 24 September 2011 and Monday, 26 September 2011 at all the receiving bank branches and sub-branches at the addresses set out in the section entitled “How to Apply for the Hong Kong Offer Shares – Where to Collect the Application Forms”.

Despatch/collection of Share certificates/e-Refund payment instructions/refund cheques

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the initial price of HK\$6.80 per Offer Share (excluding the brokerage fee, SFC transaction levy and Stock Exchange trading fee thereon) paid on application, or if the conditions of the Global Offering are not fulfilled in accordance with the section entitled “Structure of the Global Offering – Conditions of the Hong Kong Public Offer” or if any application is revoked or any allocation pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

You will receive one Share certificate for all the Hong Kong Offer Shares issued to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary documents of title will be issued in respect of the Hong Kong Offer Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course, these will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your Application Form:

- (a) (i) Share certificates for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) Share certificates for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms whose Share certificates will be deposited into CCASS as described below); and/or
- (b) refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the initial price per Offer Share paid on application in the event that the Offer Price is less than the initial price per Offer Share paid on application, in each case including the brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications under **WHITE** and **YELLOW** Application Forms and Share certificates for successful applicants under **WHITE** Application Forms are expected to be posted on or before Friday, 23 September 2011. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s).

(a) If you apply using a WHITE Application Form:

- If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form and have indicated in your Application Form that you wish to collect refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) in person and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and Share certificate(s) (where applicable) from Computershare Hong Kong Investor Services Limited, our Hong Kong Share Registrar, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 23 September 2011 or any other date as notified by us on our website (www.tenfu.com) and the website of the Stock Exchange (www.hkexnews.hk) and in the newspapers as the date of despatch/collection of e-Refund payment instructions/refund cheques/Share certificates.
- If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited.
- If you do not collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) within the time specified for collection, they will be sent to the address as specified in your Application Form thereafter by ordinary post and at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you have applied for 1,000,000 Offer Shares or above but have not indicated on your Application Forms that you will collect your Share certificate(s) and/or refund cheque(s) (if any) in person and have provided all information required by your application form, or you have applied for less than 1,000,000 Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the section entitled “Structure of the Global Offering – Conditions of the Hong Kong Public Offer” in this prospectus, or if your application is revoked or any allotment pursuant thereto has become void, your Share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in respect of the application monies or the appropriate parties thereof, together with the related brokerage, Stock Exchange trading fee, SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Friday, 23 September 2011 by ordinary post and at your own risk.

Share certificates will only become valid certificates of title at 8:00 a.m. on Monday, 26 September 2011 provided that the Hong Kong Public Offer has become unconditional in all respects and the right of termination described in the section entitled “Underwriting – Grounds for Termination” in this prospectus has not been exercised.

(b) If you apply using a YELLOW Application Form:

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Friday, 23 September 2011 or in the event of contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant application (other than a CCASS Investor Participant) for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to publish the results of CCASS Investor Participants’ applications together with the results of the Hong Kong Public Offer in the manner described in “How to Apply for the Hong Kong Offer Shares – Allotment of Hong Kong Offer Shares” on Friday, 23 September 2011. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 23 September 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account, you can check the number of Hong Kong Offer Shares allocated to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account.

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you have applied for 1,000,000 Offer Shares or above and have not indicated on your Application Forms that you will collect your refund cheque(s) (if any) in person and have provided all information provided by your application form, or you have applied for less than 1,000,000 Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the section entitled “Structure of the Global Offering – Conditions of the Hong Kong Public Offer” in this prospectus, or if your application is revoked or any allotment pursuant thereto has become void, your refund cheque(s) (where applicable) in respect of the application monies or the appropriate parties thereof, together with the related brokerage, Stock Exchange trading fee, SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form by ordinary post and at your own risk.

(c) If you apply using White Form eIPO

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated White Form eIPO Service Provider through the designated website at www.eipo.com.hk and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 23 September 2011, or such other date as notified by us in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk on Friday, 23 September 2011 by ordinary post and at your own risk.

If you apply through the **White Form eIPO** service and paid the application monies from a single bank account, refund monies (if any) will be despatched to the application payment account in the form of e-Refund payment instructions; If you apply through **White Form eIPO** service and paid the application monies from multiple bank accounts, refund monies (if any) will be despatched to the address as specified on the your **White Form eIPO** application in the form of refund cheque(s), by ordinary post at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **White Form eIPO** Service Provider set out above in “Additional Information for application by using **White Form eIPO**.”

HOW TO APPLY FOR HONG KONG OFFER SHARES

VI. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to us and our Hong Kong Share Registrar.

Application for Hong Kong Offer Shares by HKSCC Nominees on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

- (i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees does the following things on behalf of each such person:
 - **agrees** that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
 - **undertakes and agrees** to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- **undertakes and confirms** that that person has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, and has not received or been placed or allocated (including conditionally or provisionally) any Offer Shares under the International Placing nor otherwise participated in the International Placing;
- (if the **electronic application instructions** are given for that person's own benefit) **declares** that only one set of **electronic application instructions** has been given for that person's benefit;
- (if that person is an agent for another person) **declares** that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;
- **understands** that the above declaration will be relied upon by us, the directors, the Joint Sponsors and the Joint Global Coordinators in deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;
- **authorises** us to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's **electronic application instructions** and to send Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between us and HKSCC;
- **confirms** that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- **confirms** that that person has only relied on the information and representations in this prospectus and the Application Form in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf and will not rely on any other information and representations save as set out in any supplement to this prospectus;
- **agrees** that we, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective directors, officers, employee, partners, agents or advisers are liable only for the information and representations contained in this prospectus and any supplement thereto;
- **agrees** to disclose that person's personal data to us, the Hong Kong Share Registrar, the receiving banker, the Joint Sponsors, the Joint Global Coordinators, the Joint Lead Managers, the Underwriters, and/or any of their advisers and agents and any information which they may require about that person;
- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable on or before Friday, 14 October 2011, such agreement to take effect as a collateral contract with us and to become binding when that person gives the instructions and such collateral contract to be in consideration of us agreeing that we will not offer any Hong Kong Offer Shares to any person on or before Friday, 14 October 2011, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before Friday, 14 October 2011 if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- **agrees** that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offer published by us;
- **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Hong Kong Offer Shares;
- **agrees** with us, for ourselves and for the benefit of each of our shareholders (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of our shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Cayman Companies Law, the Memorandum of Association and the Articles of Association; and
- **agrees** that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to us or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum offer price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful

HOW TO APPLY FOR HONG KONG OFFER SHARES

application and/or the Offer Price is less than the initial price per Share paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Multiple applications

If you have made an application by giving **electronic application instructions** to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Minimum subscription amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Offer Shares. Such instructions in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms.

Time for inputting electronic application instructions

Those who are not CCASS Investor Participants can instruct their brokers or custodians who are CCASS Clearing Participants or CCASS Custodian Participants to give electronic applications to HKSCC via CCASS terminals to apply for Hong Kong Offer Shares on their behalf.

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the specified times on the following dates:

Wednesday, 14 September 2011	–	9:00 a.m. to 8:30 p.m. ⁽¹⁾
Thursday, 15 September 2011	–	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Friday, 16 September 2011	–	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Saturday, 17 September 2011	–	8:00 a.m. to 1:00 p.m. ⁽¹⁾
Monday, 19 September 2011	–	8:00 a.m. ⁽¹⁾ to 12:00 noon

⁽¹⁾ These times may be subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 14 September 2011 until 12:00 noon on Monday, 19 September 2011 (24 hours daily, except the last application day).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Effect of bad weather on the last application day

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 19 September 2011 the last application day. If:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal

is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 19 September 2011, the last application day will be postponed to the next business day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on such day.

If the application lists of the Hong Kong Public Offer do not open and close on Monday, 19 September 2011 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section entitled “Expected Timetable” in this prospectus, such dates mentioned in the section entitled “Expected Timetable” in this prospectus may be affected. A press announcement will be made in such event.

Allocation of Hong Kong Offer Shares

For the purposes of allocating the Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

Deposit of Share certificates into CCASS and refund of application monies

- No temporary document of title will be issued. No receipt will be issued for application monies received.
- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on Friday, 23 September 2011 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner, where supplied), your Hong Kong Identity Card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner described in “How to Apply for the Hong Kong Offer Shares – Publication of Results” and to publish the basis of allotment of the Hong Kong Public Offer in the newspapers on Friday, 23 September 2011. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 23 September 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 23 September 2011. Immediately following the credit of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and credit of the refund monies (if any) to your designated bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the initial price per Hong Kong Offer Share paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 23 September 2011. No interest will be paid thereon.

Section 40 of the Companies Ordinance

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** to HKSCC via CCASS is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form titled "Personal Data" applies to any personal data and any other information held by us, the Share registrar, the receiving banker, the Joint Bookrunners, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data and any other information about applicants other than HKSCC Nominees.

Warning

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, the Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 19 September 2011 or such later time as described in the paragraph headed "Effect of bad weather on the last application day" above.

VII. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted the Hong Kong Offer Shares are set out in the notes attached to the Application Forms (whether you are making your application by an Application Form or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf or to the designated White Form eIPO Service Provider via **White Form eIPO Service**), and you should read them carefully. You should note in particular the following situations in which Hong Kong Offer Shares will not be allotted to you:

- **If your application is revoked**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC via CCASS or to the designated **White Form eIPO**, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before Friday, 14 October 2011 unless a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus. This agreement will take effect as a collateral contract with us, and will become binding when you lodge your application or submit your **electronic application instructions** to HKSCC via CCASS and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of us agreeing that we will not offer any Hong Kong Offer Shares to any person on or before Friday, 14 October 2011 except by means of one of the procedures referred to in this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

- **Full discretion of us or our agents to reject or accept your application**

We and the Joint Global Coordinators (as agent for our Company) or the designated **White Form eIPO** Service Provider (where applicable), or our respective agents or nominees, have full discretion to reject or accept any application, or to accept only part of any application. No reason has to be given for any rejection or acceptance.

- **If the allotment of Hong Kong Offer Shares is void**

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Hong Kong Offer Shares either:

- within three weeks from the closing of the application lists; or
 - within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.
- **You will not receive any allotment if:**
 - you make multiple applications or suspected multiple applications;
 - you or the person for whose benefit you apply for have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares in the International Placing. By filling in any of the Application Forms or applying by giving **electronic application instructions** to HKSCC via CCASS or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service, you agree not to apply for Hong Kong Offer Shares as well as Offer Shares in the International Placing. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offer from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offer;
 - your payment is not made correctly;
 - you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured upon its first presentation;
 - your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);

HOW TO APPLY FOR HONG KONG OFFER SHARES

- your **electronic application instructions** through **White Form eIPO** service are not completed in accordance with the terms and conditions set out in the designated website at www.eipo.com.hk;
- we believe that by accepting your application, this would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed;
- if you apply for more than 50% of the Hong Kong Offer Shares initially being offered in the Hong Kong Public Offer for subscription (that is, 10,431,000 Shares);
- the Underwriting Agreements do not become unconditional; or
- the Underwriting Agreements are terminated in accordance with their respective terms.

You should also note that you may apply for Offer Shares under the Hong Kong Public Offer or indicate an interest for Offer Shares under the International Placing, but may not do both.

VIII. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum offer price is HK\$6.80 per Hong Kong Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% in full. This means that for one board lot of 1,000 Hong Kong Offer Shares you will pay HK\$6,868.5. The Application Forms have tables showing the exact amount payable for certain numbers of Hong Kong Offer Shares up to 10,431,000 Shares.

You must pay the amount payable upon application for the Hong Kong Offer Shares by one cheque or one banker's cashier order in accordance with the terms set out in the Application Form or this prospectus (if you apply by an Application Form). Please refer also to the paragraph headed "How to Make Payment for the Application" of this section.

If your application is successful, brokerage is paid to participants of the Stock Exchange or the Stock Exchange (as the case may be), the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

IX. REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any reason, we will refund your application monies, including brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon. All interest accrued on such monies prior to the date of despatch of refund cheques will be retained for the benefit of our Company.

If your application is accepted only in part, we will refund the appropriate portion of your application monies, including the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, without interest.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If the Offer Price as finally determined is less than the initial price per Hong Kong Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) paid on application, we will refund the surplus application monies, together with the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies, without interest.

Refund of your application monies (if any) will be made on Friday, 23 September 2011 in accordance with the various arrangements as described above.

All refunds by cheque will be crossed “Account Payee Only,” and made out to you (or in case of joint applicants, the first-named applicant on the Application Form). Part of your Hong Kong identity card number/passport number, (or in case of joint applicants, part of the Hong Kong identity card number/ passport number of the first-named applicant) provided by you may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. A banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

X. DEALINGS AND SETTLEMENT

Commencement of dealings in the Shares

Dealings in the Shares on the Stock Exchange are expected to commence on Monday, 26 September 2011.

The Shares will be traded in board lots of 1,000 Shares each. The stock code of the Shares is 6868.

Shares will be eligible for admission into CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

14 September 2011

The Directors
Tenfu (Cayman) Holdings Company Limited

Credit Suisse (Hong Kong) Limited
China International Capital Corporation Hong Kong Securities Limited
Polaris Securities (Hong Kong) Limited

Dear Sirs,

We report on the financial information of Tenfu (Cayman) Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") which comprises the consolidated balance sheets as at 31 December 2008, 2009 and 2010 and 31 March 2011, the balance sheets of the Company as at 31 December 2010 and 31 March 2011 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. The financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 14 September 2011 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 22 April 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a Group reorganisation as described in Note 1 of Section II headed "General information of the Group and reorganisation" (the "Reorganisation") below, which was completed on 24 August 2010, the Company became the holding company of the subsidiaries comprising the Group.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries and a jointly controlled entity as set out in Note 30 and Note 10 of Section II below. All of these companies are private companies or if incorporated or established outside Hong Kong, have substantially the same characteristic as a Hong Kong incorporated private company.

All companies comprising the Group during the Relevant Periods have adopted 31 December as their financial year end date.

The audited financial statements of the subsidiaries comprising the Group for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 30 of Section II.

The directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “HKSA”) issued by the HKICPA pursuant to separate terms of engagement with the Company.

The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectus and the Reporting Accountant” issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 December 2010 and 31 March 2011, and of the state of affairs of the Group as at 31 December 2008, 2009 and 2010 and 31 March 2011, and of the Group's results and cash flows for the Relevant Periods then ended.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the three months ended 31 March 2010 and a summary of significant accounting policies and other explanatory information (the “Stub Period Comparative Financial Information”).

The directors are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2008, 2009 and 2010 and 31 March 2011 and for each of the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2010 and 2011:

(a) Consolidated Balance Sheets

	Note	As at 31 December			As at
		2008	2009	2010	31 March
		RMB'000	RMB'000	RMB'000	2011
					RMB'000
ASSETS					
Non-current assets					
Leasehold land and land use rights.	6	13,170	15,114	19,377	19,239
Investment properties	7	23,769	5,606	5,313	5,245
Property, plant and equipment	8	235,370	236,944	278,562	360,902
Intangible assets	9	1,176	1,274	2,910	2,869
Investment in a jointly controlled entity	10	4,536	3,258	3,748	3,031
Deferred income tax assets	19	2,354	8,788	30,331	24,780
Prepayments – non-current portion.	11(a)	1,180	–	8,462	8,962
		<u>281,555</u>	<u>270,984</u>	<u>348,703</u>	<u>425,028</u>
Current assets					
Inventories	12	148,636	190,937	299,173	267,209
Trade and other receivables	11(a)	253,976	402,245	354,069	191,678
Prepayments	11(a)	10,236	23,753	70,638	115,041
Restricted cash	13	–	5,507	3,460	7,220
Cash and cash equivalents	13	21,767	141,171	450,685	410,644
		<u>434,615</u>	<u>763,613</u>	<u>1,178,025</u>	<u>991,792</u>
Total assets		<u><u>716,170</u></u>	<u><u>1,034,597</u></u>	<u><u>1,526,728</u></u>	<u><u>1,416,820</u></u>
EQUITY					
Capital and reserves attributable to the equity holders of the Company					
Share capital	14	–	–	8,875	8,875
Share premium	14	–	–	194,806	194,806
Other reserves	16(a)	306,949	322,152	342,410	342,410
Retained earnings	15	106,564	230,307	117,601	212,089
Total equity		<u><u>413,513</u></u>	<u><u>552,459</u></u>	<u><u>663,692</u></u>	<u><u>758,180</u></u>

	Note	As at 31 December			As at
		2008	2009	2010	31 March
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2011
				<i>RMB'000</i>	
LIABILITIES					
Non-current liabilities					
Borrowings	18	–	3,688	738	–
Deferred income tax liabilities	19	5,213	13,771	14,477	15,752
		<u>5,213</u>	<u>17,459</u>	<u>15,215</u>	<u>15,752</u>
Current liabilities					
Trade and other payables	17	135,565	179,583	260,232	184,523
Dividend payable	29, 35(c)	–	–	157,749	88,428
Current income tax liabilities		18,879	28,784	30,864	18,728
Borrowings	18	143,000	256,312	398,976	351,209
		<u>297,444</u>	<u>464,679</u>	<u>847,821</u>	<u>642,888</u>
Total liabilities		<u>302,657</u>	<u>482,138</u>	<u>863,036</u>	<u>658,640</u>
Total equity and liabilities		<u>716,170</u>	<u>1,034,597</u>	<u>1,526,728</u>	<u>1,416,820</u>
Net current assets		<u>137,171</u>	<u>298,934</u>	<u>330,204</u>	<u>348,904</u>
Total assets less current liabilities		<u>418,726</u>	<u>569,918</u>	<u>678,907</u>	<u>773,932</u>

(b) Balance Sheets of the Company

	Note	As at 31 December 2010 <i>RMB'000</i>	As at 31 March 2011 <i>RMB'000</i>
ASSETS			
Non-current assets			
Investments in subsidiaries	30	41,348	172,144
Current assets			
Trade and other receivables	11(b)	163,969	88,059
Prepayments	11(b)	–	5,398
Cash and cash equivalents		158,911	27,197
		322,880	120,654
Total assets		<u>364,228</u>	<u>292,798</u>
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	14	8,875	8,875
Share premium	14	194,806	194,806
Accumulated losses	15(b)	(1,492)	(3,734)
Total equity		<u>202,189</u>	<u>199,947</u>
LIABILITIES			
Other payables	17	4,423	4,423
Dividend payable	29	157,616	88,428
		162,039	92,851
Total equity and liabilities		<u>364,228</u>	<u>292,798</u>
Net current assets		<u>160,841</u>	<u>27,803</u>
Total assets less current liabilities		<u>202,189</u>	<u>199,947</u>

(c) Consolidated Statements of Comprehensive Income

	Note	Year ended 31 December			Three months ended 31 March	
		2008	2009	2010	2010	2011
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	20	570,963	692,715	1,246,993	268,965	459,567
Cost of sales	23	(314,847)	(389,343)	(557,264)	(148,748)	(179,971)
Gross profit		256,116	303,372	689,729	120,217	279,596
Distribution costs	23	(65,850)	(53,747)	(272,621)	(42,927)	(110,295)
Administrative expenses	23	(40,269)	(55,144)	(107,143)	(15,158)	(37,018)
Other income	22	2,920	4,939	9,019	1,457	834
Other (losses)/gains – net	21	(2,297)	1,872	2,322	1,210	169
Operating profit		150,620	201,292	321,306	64,799	133,286
Finance income	26	209	442	1,045	161	327
Finance costs	26	(9,327)	(9,417)	(9,890)	(2,848)	(5,102)
Finance costs – net	26	(9,118)	(8,975)	(8,845)	(2,687)	(4,775)
Share of profit of a jointly controlled entity	10	1,192	916	1,246	292	317
Profit before income tax		142,694	193,233	313,707	62,404	128,828
Income tax expense	27	(33,470)	(54,301)	(90,683)	(19,489)	(34,340)
Profit for the year/period, all attributable to the equity holders of the Company		109,224	138,932	223,024	42,915	94,488

	Note	Year ended 31 December			Three months ended 31 March	
		2008	2009	2010	2010	2011
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Other comprehensive income for the year/period		-	-	-	-	-
Total comprehensive income for the year/period, all attributable to the equity holders of the Company	15	<u>109,224</u>	<u>138,932</u>	<u>223,024</u>	<u>42,915</u>	<u>94,488</u>
Earnings per share for profit attributable to equity holders of the Company (expressed in Renminbi ("RMB"))						
– Basic earnings per share	28	<u>1.16</u>	<u>1.47</u>	<u>2.36</u>	<u>0.45</u>	<u>0.93</u>
– Diluted earnings per share	28	<u>1.16</u>	<u>1.47</u>	<u>2.36</u>	<u>0.45</u>	<u>0.93</u>
Dividends	29	<u>4,973</u>	<u>-</u>	<u>307,238</u>	<u>-</u>	<u>-</u>

(d) Consolidated Statements of Changes in Equity

	Attributable to the equity holders of the Company				
	Par value of ordinary shares	Share premium	Other reserves	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2008..	–	–	288,362	13,791	302,153
Comprehensive income					
Profit/Total comprehensive income for the year	–	–	–	109,224	109,224
Transactions with owners					
Incorporation of a subsidiary under common control (<i>Note 16</i>).	–	–	7,109	–	7,109
Profit appropriation to statutory reserves (<i>Note 16</i>).	–	–	11,478	(11,478)	–
Dividends declared (<i>Note 29</i>).	–	–	–	(4,973)	(4,973)
Total transactions with owners	–	–	18,587	(16,451)	2,136
Balance at 31 December 2008	<u>–</u>	<u>–</u>	<u>306,949</u>	<u>106,564</u>	<u>413,513</u>
Balance at 1 January 2009..	–	–	306,949	106,564	413,513
Comprehensive income					
Profit/Total comprehensive income for the year	–	–	–	138,932	138,932
Transactions with owners					
Incorporation of subsidiaries under common control (<i>Note 16</i>).	–	–	14	–	14
Profit appropriation to statutory reserves (<i>Note 16</i>).	–	–	15,189	(15,189)	–
Total transactions with owners	–	–	15,203	(15,189)	14
Balance at 31 December 2009	<u>–</u>	<u>–</u>	<u>322,152</u>	<u>230,307</u>	<u>552,459</u>

	Attributable to the equity holders of the Company				
	Par value of ordinary shares	Share premium	Other reserves	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2010..	–	–	322,152	230,307	552,459
Comprehensive income					
Profit/Total comprehensive income for the year	–	–	–	223,024	223,024
Transactions with owners					
Issuance of ordinary shares (Note 14).	8,875	194,806	–	–	203,681
Share swap (Note 1.2 (d)) . .	–	–	(8,234)	–	(8,234)
Profit appropriation to statutory reserves (Note 16).	–	–	28,492	(28,492)	–
Dividends declared (Note 29).	–	–	–	(307,238)	(307,238)
Total transactions with owners	<u>8,875</u>	<u>194,806</u>	<u>20,258</u>	<u>(335,730)</u>	<u>(111,791)</u>
Balance at 31 December 2010	<u>8,875</u>	<u>194,806</u>	<u>342,410</u>	<u>117,601</u>	<u>663,692</u>
Balance at 1 January 2011..	8,875	194,806	342,410	117,601	663,692
Comprehensive income					
Profit/Total comprehensive income for the period.	–	–	–	94,488	94,488
Balance at 31 March 2011 .	<u>8,875</u>	<u>194,806</u>	<u>342,410</u>	<u>212,089</u>	<u>758,180</u>
(Unaudited):					
Balance at 1 January 2010..	–	–	322,152	230,307	552,459
Comprehensive income					
Profit/Total comprehensive income for the period.	–	–	–	42,915	42,915
Balance at 31 March 2010 .	<u>–</u>	<u>–</u>	<u>322,152</u>	<u>273,222</u>	<u>595,374</u>

(e) Consolidated Cash Flow Statements

	Note	Year ended 31 December			Three months ended 31 March	
		2008	2009	2010	2010	2011
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities						
Cash generated from						
operations	31	38,392	166,572	161,661	86,406	265,542
Interest paid	26	(9,327)	(9,417)	(9,890)	(2,848)	(5,102)
Income tax paid		(18,432)	(42,272)	(109,440)	(17,360)	(39,650)
Net cash inflow from operating activities		10,633	114,883	42,331	66,198	220,790
Cash flows from investing activities						
Acquisition of businesses, net of cash acquired	34	(727)	(7,474)	(26,722)	(9,839)	(8,534)
Purchase of land use rights . .	6	(14)	(2,289)	(4,660)	–	–
Purchase of investment properties	7	(125)	–	–	–	–
Purchase of property, plant and equipment	8	(50,505)	(24,459)	(79,610)	(3,607)	(91,889)
Purchase of intangible assets.	9	(953)	(411)	(2,090)	(17)	(166)
Proceeds from disposal of investment properties and property, plant and equipment	31	899	21,996	3,688	232	145
Interest received	26	209	442	782	161	327
Dividends received from a jointly controlled entity . . .	10	–	2,194	756	756	1,034
(Increase)/decrease in amounts due from third parties	11	(17,943)	(59,350)	146,589	(17,213)	–
Decrease/(increase) in amounts due from related parties	35	8,035	(30,444)	34,709	22,962	–
Net cash (outflow)/inflow from investing activities . . .		(61,124)	(99,795)	73,442	(6,565)	(99,083)

	Note	Year ended 31 December			Three months ended 31 March	
		2008	2009	2010	2010	2011
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)						
Cash flows from financing activities						
Capital contribution from then equity holders	16	7,109	–	193,155	–	6,715
Proceeds from borrowings		215,000	280,000	446,026	10,000	3,743
Repayments of borrowings		(199,400)	(163,000)	(306,049)	–	(52,248)
Dividends paid to then equity holders	15	(4,973)	–	(149,489)	–	(69,321)
Changes of restricted cash	13	–	(5,507)	2,047	–	(3,760)
Increase/(decrease) in amounts due to related parties	35	35,415	(7,177)	9,435	(22,507)	(46,018)
Net cash inflow/(outflow) from financing activities		53,151	104,316	195,125	(12,507)	(160,889)
Net increase/(decrease) in cash and cash equivalents						
Effect of foreign exchange rate changes		–	–	(1,384)	–	(859)
Cash and cash equivalents at beginning of the year/period		19,107	21,767	141,171	141,171	450,685
Cash and cash equivalents at end of the year/period	13	<u>21,767</u>	<u>141,171</u>	<u>450,685</u>	<u>188,297</u>	<u>410,644</u>

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION OF THE GROUP AND REORGANISATION

1.1 General information of the Group

Tenfu (Cayman) Holdings Company Limited (the “Company”) was incorporated by Mr. Tsai Shan Jen, the persons acting in concert, which include Mr. Lee Rie-Ho, Mr. Lee Shih-Wei, and Mr. Lee Chia Ling (the “Persons Acting in Concert”) and Mr. Tseng Ming-Sung (collectively, the “Founders”) on 22 April 2010 in the Cayman Islands as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in the classification, packaging of tea leaves, manufacture of tea snacks, and sale of tea leaves, tea snacks and tea ware.

1.2 The Reorganisation

In preparation of the initial listing of the Company’s shares on the Main Board of the Stock Exchange of Hong Kong Limited (the “Listing”), the Group underwent the reorganisation (the “Reorganisation”) which principally involved:

(a) Formation of the PRC Tea Subsidiaries

Prior to the Reorganisation, the Group’s operating companies incorporated in the People’s Republic of China (the “PRC”, which for the purpose of this financial information, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan), namely Zhangzhou Tianfu Tea Industry Co., Ltd. (“Zhangzhou Tenfu”), Zhangpu Tian Fu Tea Garden Co., Ltd. (“Zhangpu Tenfu”), Minhou Tianyuan Tea Products Co., Ltd. (“Minhou Tianyuan”) and Jiajiang Tian Fu Tea Garden Co., Ltd. (“Jiajiang Tenfu”) (collectively, the “PRC Tea Subsidiaries”) were held by Ten Ren Tea and Ginseng Co., Inc. U.S.A. (“Ten Ren U.S.A.”), a company incorporated in the United States of America. Since their respective incorporation, Ten Ren U.S.A held PRC Tea Subsidiaries as the nominee for and on behalf of the Founders, and the Persons Acting in Concert had control over the PRC Tea Subsidiaries.

Tenfu (Hong Kong) Holdings Co., Ltd. (“Tenfu HK”) was incorporated by Tenfu Holdings Co., Ltd. (“Tenfu BVI”), a company incorporated by the Founders in British Virgin Islands on 2 July 2009, in Hong Kong on 17 August 2009. The Persons Acting in Concert had control over Tenfu HK from its incorporation.

Pursuant to the share transfer agreements entered into between Ten Ren U.S.A. and Tenfu HK dated 2 November 2009, Ten Ren U.S.A. transferred its 100% equity interests in the PRC Tea Subsidiaries to Tenfu HK (“PRC Tea Subsidiaries Acquisition”). Pursuant to the memorandum of agreement subsequently entered into between the Founders, Tenfu HK and the Company on 29 December 2010, the PRC Tea Subsidiaries Acquisition was settled by the allotment and issue of 23,594,725 new shares in the Company, credited as fully paid, to the Founders. As a result, PRC Tea Subsidiaries became wholly-owned subsidiaries of Tenfu HK and Tenfu BVI.

(b) Formation of the sales subsidiaries

Ten Rui (Hong Kong) Sales Holdings Co., Ltd. (“Ten Rui HK”) was incorporated in Hong Kong on 7 March 2008 by Mr. Tsai Shan Jen, one of the Founders of the Company, who held the entire equity interests in Ten Rui HK in trust on behalf of the Founders. Since its incorporation, the Persons Acting in Concert had control over Ten Rui HK.

Jinan Tenfu Tea Co., Ltd. (“Jinan Tenfu”), Yantai Tenfu Tea Co., Ltd. (“Yantai Tenfu”), Tianjin Tenfu Sales Co., Ltd. (“Tianjin Tenfu”) and Beijing Tenfu Tea Co., Ltd. (“Beijing Tenfu”) (collectively, the “Four Tenfu Sales”) were incorporated in the PRC by certain third party individuals.

Pursuant to the equity transfer agreements entered into between Ten Rui HK and the third party individuals, dated 1 June 2009, 8 July 2009, 12 October 2009 and 2 June 2009 respectively, the third party individuals transferred their respective entire equity interests in the Four Tenfu Sales to Ten Rui HK (“Tenfu Sales Acquisitions”) at a consideration totalling RMB5,297,000 benchmark against the fair value of the identifiable net assets of the Four Tenfu Sales at the respective acquisition dates (Note 34). As a result, the Four Tenfu Sales became wholly-owned subsidiaries of Ten Rui HK.

During the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, Ten Rui HK also established 21 new sales subsidiaries in the PRC to set up new retail outlets or acquire other retail outlets from certain third party individuals. The Four Tenfu Sales and other sales subsidiaries are collectively referred to as the “Tenfu Sales”.

Ten Rui (BVI) Holdings Co., Ltd. (“Ten Rui BVI”) was incorporated by the Founders in British Virgin Islands on 19 August 2009.

Pursuant to a share transfer agreement entered into between the Founders and Ten Rui BVI on 4 August 2010, Ten Rui BVI acquired the entire equity interest of Ten Rui HK from the Founders through a share swap. As a result, Ten Rui HK became a wholly-owned subsidiary of Ten Rui BVI.

(c) Incorporation of the Company

On 22 April 2010, the Company was incorporated in the Cayman Islands and was held by the Founders.

(d) Share swap for Tenfu BVI, Ten Rui BVI and PRC Tea Subsidiaries

Pursuant to the share transfer agreements entered into between the Founders and the Company on 4 August 2010, and the memorandum of agreement entered into between the Founders, Tenfu HK and the Company on 29 December 2010, the Company acquired the entire equity interests of Tenfu BVI and Ten Rui BVI and the entire equity interests of PRC Tea Subsidiaries from the Founders through share swaps with totally 94,378,900 new shares allotted and issued, at a total consideration of HKD9,437,890 (RMB8,234,560), 47,189,450 shares in the Company for Ten Rui BVI acquisition, 23,594,725 shares in the Company each for the Tenfu BVI acquisition and PRC Tea Subsidiaries Acquisition respectively (Note 14(b)(iii)). As a result, Tenfu BVI, Ten Rui BVI and PRC Tea Subsidiaries became wholly-owned subsidiaries of the Company, and the Company became the ultimate holding company of all Group entities.

Upon completion of the Reorganisation on 24 August 2010, the Company became the holding company of the Group.

(e) Introduction of financial investors

On 15 December 2010, certain financial investors, including Pearl Ever Group Limited as the lead investor (collectively, the "Financial Investors"), entered into a share subscription agreement with the Company, Mr. Lee Rie-Ho and Mr. Lee Chia Ling, pursuant to which the Financial Investors subscribed to an aggregate of 7,478,746 shares in the Company for a total consideration of USD30,000,000. Such shares were issued to the Financial Investors on 20 December 2010.

(f) Share transfers by individual shareholders

On 23 December 2010, Mr. Tsai Shan Jen transferred an aggregate of 30,387,918 shares of the Company to 83 individual shareholders (the "New Investors") for a total cash consideration of USD34,034,468, Mr. Lee Rie-Ho transferred all of his 18,876,000 shares in the Company to his wholly-owned subsidiary, Discerning Group Limited, for nil consideration, and Mr. Lee Chia Ling transferred all of his 37,752,000 shares in the Company to his wholly-owned subsidiary, Trackson Investments Limited for nil consideration.

The Company's direct and indirect interests in its subsidiaries as at the date of this report are set out in Note 30.

1.3 Basis of presentation

For the purpose of this report, the financial information has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

As explained in Note 1.2 above, the Persons Acting in Concert had control over the financial and operating policies of and exercised unilateral control over PRC Tea Subsidiaries, Tenfu HK and Tenfu BVI before and after the Reorganisation, PRC Tea Subsidiaries Acquisition is therefore accounted for as a business combination under common control, under a method similar to the merger accounting where all assets and liabilities were recorded at predecessor carrying amounts. The consolidated financial statements of the Group include the financial statements of PRC Tea Subsidiaries throughout the years presented.

Tenfu Sales Acquisitions are accounted for under the acquisition method where all assets and liabilities were recorded at the fair value at the respective acquisition dates. The consolidated financial statements of the Group include the financial statements of the Four Tenfu Sales and other sales business since their respective dates of acquisition.

The consolidated financial statements present the consolidated results, cash flows and financial position of the companies comprising the Group as if the Group structure had been in existence throughout the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011 (the "Relevant Periods") or since their respective dates of incorporation/establishment or acquisition, whichever is the shorter period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial information are set out below. These policies have been consistently applied to the Relevant Periods.

2.1 Basis of preparation

The financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) under the historical convention throughout the Relevant Periods.

The preparation of the consolidated financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial information are disclosed in Note 4 below.

- (a) Up to the date of this report, the HKICPA has issued the following new standards and amendments to standards which are mandatory for the first time for the financial year beginning 1 January 2011.
- HKAS 24 (revised), “Related party disclosures”, issued in November 2009. It supersedes HKAS 24, “Related party disclosures”, issued in 2003. HKAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group applied the revised standard on 1 January 2011 and it does not have any impact on the Group’s consolidated financial information.
 - Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA
 - Amendment to HKAS 1, “Presentation of financial statements”. The amendment clarifies that, for each component of equity, an entity may present the breakdown of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The amendment is mandatory for periods beginning on or after 1 January 2011. Early adoption is permitted. The Group applied the amendment on 1 January 2011 and it does not have any impact on the Group’s consolidated financial information.
 - HKFRS 3, “Business combinations” – contingent consideration. This amendment clarifies that the guidance in HKAS 39, HKAS 32 and HKFRS 7 will not apply to contingent consideration arising from business combinations with an effective date prior to the application of the revised version of HKFRS 3. The improvement is mandatory for periods beginning on or after 1 July 2010. Early adoption is permitted. The Group applied the improvement on 1 January 2011 and it does not have any impact on the Group’s consolidated financial information.
- (b) The following new standards, amendments and interpretations have been issued by HKICPA which are relevant to the Group’s operations but are not yet effective for the annual accounting period beginning 1 January 2011 and which have not been early adopted by the Group:
- HKFRS 9 “Financial instruments” addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. HKFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group’s accounting for its financial assets. There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 “Financial instruments: Recognition and measurement” and have not been changed. The Group has not yet decided when to adopt HKFRS 9.
 - HKFRS 7 (Amendment) “Disclosures – Transfers of financial assets” introduces new disclosure requirement on transfers of financial assets. Disclosure is required by class of asset of the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity’s balance sheet. The gain or loss on the transferred assets and any retained interest in those assets must be given. In addition, other disclosures must enable users to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. The disclosures must be presented by type of ongoing involvement. For example, the retained exposure could be presented by type of financial instrument (such as guarantees, call or put options), or by type of transfer (such as factoring of receivables, securitisations or securities lending). The amendment is applicable to annual periods beginning on or after 1 July 2011 with early adoption permitted.

2.2 Consolidation

(a) *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Different methods of accounting are used for acquisition of subsidiaries through common control and non-common control business combinations, as described below.

(i) *Common control business combinations*

The Group applies merger accounting to account for the business combinations (including acquisition of subsidiaries) under common control, where all assets and liabilities are recorded at predecessor carrying amounts, as if the combining entities have been consolidated from the date when they first came under the control of the controlling party, where differences between consideration payable and the net assets value are taken to the merger reserve.

(ii) *Non-common control business combinations*

The Group uses the acquisition method of accounting to account for business combinations (including acquisition of subsidiaries) which are not under common control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

(b) *Jointly controlled entities*

A jointly controlled entity is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

A jointly controlled entity is a jointly controlled entity established as a corporation, partnership or other entity in which the venturers have their respective interests and establish a contractual arrangement among them to define their joint control over the economic activity of the entity.

The Group's share of its jointly controlled entity's post-acquisition profits or losses is recognized in the consolidated statements of comprehensive income, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the jointly controlled entity have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors (the "Board") that makes strategic decisions.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statements of comprehensive income within "finance income or costs". All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within "other gains/(losses) – net".

2.5 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. As from 1 January 2009, investment property also includes property that is being constructed or developed for future use as investment property.

Land held under operating leases is classified and accounted for by the Group as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs are incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation of investment properties is calculated using the straight-line method to allocate their costs or revalued amounts over their estimated useful lives – 20 years.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

2.6 Property, plant and equipment

Construction-in-progress represents properties under construction and is stated at cost less accumulated impairment losses. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time as the assets are completed and are ready for operational use.

Property, plant and equipment include buildings, vehicle and machinery, furniture, fittings and equipment, and sculpture and exhibits. All property, plant and equipment is stated at historical cost less depreciation and impairment (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Buildings	20 years
– Machinery	10 years
– Vehicles	5-10 years
– Furniture, fittings and equipment.	3-10 years
– Sculpture.	20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other gains/(losses) – net' in the consolidated statements of comprehensive income.

2.7 Land use rights

All land in the PRC is state-owned and no individual land ownership right exists. The Group acquired the right to use certain land and the premiums paid for such right are recorded as land use rights, which are amortised over the use terms of 36 to 50 years using the straight-line method.

2.8 Intangible assets

(a) Trademarks

Trademarks are initially recognized at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 10 years.

(b) Acquired computer software licences

Acquired computer software licences are initially capitalised on the basis of costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software programmes are recognized as an expense as incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost are amortised using the straight-line method over their estimated useful lives of 5 years.

The amortisation period and amortisation method of intangible assets are reviewed at least at each reporting period. The effects of any revision are recognized in profit or loss when the changes arise.

2.9 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

(a) Classification

The Group classifies its financial assets under the category of loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the consolidated balance sheets date which are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the consolidated balance sheets (Notes 2.13 and 2.14).

(b) *Recognition and measurement*

Regular way purchases and sales of financial assets are recognized on the trade-date—the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are initially recognized at fair value and then subsequently carried at amortised cost using the effective interest method.

2.11 Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio;
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The asset’s carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statements of comprehensive income. As a practical expedient, the Group may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statements of comprehensive income.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the moving weighted average cost method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Restricted cash is excluded from cash and cash equivalents.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statements of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed as incurred.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated balance sheets date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the consolidated balance sheets date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and jointly controlled entity, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits – pension obligations

The Group entities in the PRC participate in defined contribution retirement benefit plans organised by relevant government authorities for its employees in the PRC and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

The Group has no further obligation for post-retirement benefits beyond the contributions made. The contributions to these plans are recognized as employee benefits expenses when incurred and contributions paid to the defined-contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the staff leave the Group.

2.20 Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.21 Government grants

Government grants are recognized at their fair value, when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated statements of comprehensive income over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are recognized in the consolidated statements of comprehensive income on a straight line basis over the expected lives of the related assets.

2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods – wholesale

The Group processes/manufactures and sells a range of tea products in the wholesale market. Sales of goods are recognized when a Group entity has delivered products to the wholesaler, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Revenue from the sales of goods is recognized when the risk and reward of the goods has been transferred to the wholesaler, which is usually at the date when an entity of the Group has delivered products to the wholesaler, the wholesaler has accepted the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products.

Customers have a right to return faulty products in the wholesale market. Sales are recorded based on the price specified in the sales contracts, net of returns at the time of sale. Accumulated experience is used to estimate and provide for the returns. No element of financing is deemed present as the sales are made with a credit term of 180 days, which is consistent with the market practice.

(b) Sales of goods – retail

The Group operates a chain of retail outlets for selling tea products. Sales of goods are recognized when a Group entity sells a product to the customer. Retail sales are usually in cash or by credit card.

It is the Group's policy to sell its products to the retail customer with a right to return. Accumulated experience is used to estimate and provide for such returns at the time of sale. The Group does not operate any loyalty programmes.

(c) Sales from hotel accommodation, restaurant and tourism

Sales from hotel accommodation, restaurant, tourism and other ancillary services is recognized when the services are rendered.

(d) Investment property rental income

Rental income from operating leases is recognized in income on a straight-line basis over the lease term. When the Group provides incentives to its customers, the cost of incentives are recognized over the lease term, on a straight-line basis, as a reduction of rental income.

(e) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

(f) Dividend income

Dividend income is recognized when the right to receive payment is established.

2.23 Operating leases

(a) A Group company is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statements of comprehensive income on a straight-line basis over the period of the lease.

(b) A Group company is the lessor

Properties leased out under operating leases are included in "investment property" in the consolidated balance sheets (Note 7). See Note 2.22 for the recognition of rental income.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the revenue and expenditures transactions denominated and settled in RMB, where its foreign exchange risk is limited.

The Group's exposure to foreign exchange risk is mainly on its sales and purchase transactions (i.e., export or import of products) denominated in USD, and financing activities (i.e. issuances of ordinary share, certain borrowings) dominated in USD and Hong Kong Dollar ("HKD"). The exchange rate of HKD is pegged to USD. Given the general expectations about the strengthening of RMB, the Group has not used any financial instrument to hedge foreign exchange risk.

At 31 December 2008, 2009 and 2010 and 31 March 2011, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, the Group's profit before income tax would change as follows:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax increase/(decrease)					
– Strengthened 5% . . .	(855)	(3,373)	7,840	(4,752)	2,869
– Weakened 5%	855	3,373	(7,840)	4,752	(2,869)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(ii) *Cash flow and fair value interest rate risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets and liabilities other than its bank deposits and borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Bank deposits and borrowings at fixed rates expose the Group to fair value interest-rate risk. The Group has not hedged its cash flow and fair value interest rate risk. Details of the Group's bank deposits and borrowings have been disclosed in note 13 and 18.

As at 31 December 2008, 2009 and 2010 and 31 March 2011, if average interest rates on bank borrowings which bear fixed rates had been 10% higher/lower with all other variables held constant, the post-tax profit for the year/period would change as follows:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Post-tax profit increase/(decrease)					
– 10% higher	(699)	(691)	(813)	(297)	(430)
– 10% lower	699	691	813	297	430
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(b) *Credit risk*

Credit risk arises from cash and cash equivalents and trade and other receivables. The carrying amounts or the undiscounted nominal amounts, where applicable, of each class of these financial assets represent the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets. The Group has provided guarantee for financial obligations of a related party. The outstanding guarantee as at 31 December 2009 is provided in Note 32.

To manage the risk with respect to cash and cash equivalents, bank deposits are placed with highly reputable financial institutions.

Most of Group's sales are settled in cash or in bills by its customers. Credit sales are made to selected customers with good credit history with a credit term of 180 days. The Group performs credit assessment on customers before making credit sales to customers and credit risks in connection with trade receivables are monitored on an on-going basis.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by maintaining adequate amount of cash and cash equivalents.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the consolidated balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2008				
Borrowings	148,795	–	–	148,795
Trade and other payables.	123,885	–	–	123,885
	<u>272,680</u>	<u>–</u>	<u>–</u>	<u>272,680</u>
As at 31 December 2009				
Borrowings	262,106	3,183	821	266,110
Trade and other payables.	144,030	–	–	144,030
	<u>406,136</u>	<u>3,183</u>	<u>821</u>	<u>410,140</u>
As at 31 December 2010				
Borrowings	404,050	774	–	404,824
Trade and other payables.	190,603	–	–	190,603
	<u>594,653</u>	<u>774</u>	<u>–</u>	<u>595,427</u>
As at 31 March 2011				
Borrowings	360,754	–	–	360,754
Trade and other payables.	134,030	–	–	134,030
	<u>494,784</u>	<u>–</u>	<u>–</u>	<u>494,784</u>

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheets). Total capital is calculated as "equity" as shown in the consolidated balance sheets plus total debt.

During the Relevant Periods, the Group's strategy is to maintain the gearing ratio below 50%. The gearing ratio at 31 December 2008, 2009 and 2010 and 31 March 2011 were as follows:

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Total debt – Total borrowings (Note 18)	143,000	260,000	399,714	351,209
Total equity	413,513	552,459	663,692	758,180
Total capital	556,513	812,459	1,063,406	1,109,389
Gearing ratio	26%	32%	38%	32%

The fluctuation of gearing ratio during the Relevant Periods is a result of draw-down/ repayment of borrowings.

3.3 Fair value estimation

The carrying amount of the Group's financial assets (including trade and other receivables, cash and cash equivalents and restricted cash) and short term liabilities (including trade and other payables and short term borrowings) are assumed to approximate their fair values due to their short-term maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Critical accounting estimates and assumptions

(a) Impairment of trade and other receivables

The management estimates the provision of impairment of trade and other receivables by assessing their recoverability. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of trade and other receivable and impairment charge in the period in which such estimate has been changed.

(b) Current and deferred income taxes

The Group is subject to income taxes in a few jurisdictions. Judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the periods in which such determination are made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized as management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation in the periods in which such estimate is changed.

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. The Board has determined the operating segments based on these reports.

The Board considers the business from a product perspective. The Board assesses the performance of the operating segments based on a measure of segment profit or loss.

The reportable operating segments derive their revenue primarily from the classification, packaging of tea leaves, manufacture of tea snacks, and sale of tea leaves, tea snacks and tea ware.

Other services include revenue from restaurant, hotel, tourist and management services. These are not included within the reportable operating segments, as they are not presented separately in the reports provided to the Board.

No geographical segment information is presented as all the sales and operating profits of the Group are derived within the PRC and all the operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

During the Relevant Periods, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

The Board assesses the performance of the operating segments based on a measure of adjusted operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. The common administrative expenses, other gains/(losses), other income, financing (including finance costs and interest income), share of results of a jointly controlled entity and income taxes are managed on a group basis and are not allocated to operating segments.

Segment assets consist primarily of leasehold land and land use rights, property, plant and equipment, intangible assets, inventories, trade and other receivables and cash and cash equivalents held by subsidiaries in the PRC. They exclude investment properties, deferred income tax assets and prepaid tax, and the cash and cash equivalents held by the Company and overseas subsidiaries.

Segment liabilities comprise operating liabilities. They exclude borrowings, deferred income tax liabilities, tax liabilities, dividend payable and other payables due to related parties and directors' and senior management's emoluments payable.

(a) Revenue

Turnover of the Group consists of the following revenues for the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2010 and 2011.

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Tea leaves	389,879	501,395	876,566	187,409	329,054
Tea snacks	106,637	116,565	200,786	46,332	71,765
Tea ware	56,818	52,299	134,589	27,321	49,861
Others	17,629	22,456	35,052	7,903	8,887
	<u>570,963</u>	<u>692,715</u>	<u>1,246,993</u>	<u>268,965</u>	<u>459,567</u>

The segment results for the year ended 31 December 2008:

	<u>Tea leaves</u>	<u>Tea snacks</u>	<u>Tea ware</u>	<u>All other segments</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	389,879	106,637	56,818	17,629	570,963
Segment results.	117,878	22,027	19,914	(3,341)	156,478
Common administrative expenses					(6,481)
Other losses – net					(2,297)
Other income					2,920
Finance costs					(9,118)
Share of results of a jointly controlled entity					1,192
Profit before income tax					142,694
Income tax expense					(33,470)
Profit for the year					<u>109,224</u>

Other segment items included in the consolidated statement of comprehensive income:

	<u>Tea leaves</u>	<u>Tea snacks</u>	<u>Tea ware</u>	<u>All other segments</u>	<u>Unallocated</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation of property, plant and equipment	5,628	3,459	304	2,219	5,241	16,851
Depreciation of investment properties	–	–	–	–	1,238	1,238
Amortization of leasehold land and land use rights	205	65	30	28	–	328
Losses on disposal of property, plant and equipment, net	197	–	–	–	1,851	2,048
	<u>197</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,851</u>	<u>2,048</u>

The segment assets and liabilities as at 31 December 2008 are as follows:

	<u>Tea leaves</u>	<u>Tea snacks</u>	<u>Tea ware</u>	<u>All other segments</u>	<u>Unallocated</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	342,480	120,033	32,857	37,345	183,455	716,170
Total liabilities	24,627	8,624	6,131	378	262,897	302,657

The segment results for the year ended 31 December 2009:

	<u>Tea leaves</u>	<u>Tea snacks</u>	<u>Tea ware</u>	<u>All other segments</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	501,395	116,565	52,299	22,456	692,715
Segment results	166,806	28,987	9,033	(1,386)	203,440
Common administrative expenses					(8,959)
Other gains – net					1,872
Other income					4,939
Finance costs					(8,975)
Share of results of a jointly controlled entity					916
Profit before income tax					193,233
Income tax expense					(54,301)
Profit for the year					138,932

Other segment items included in the consolidated statement of comprehensive income:

	<u>Tea leaves</u>	<u>Tea snacks</u>	<u>Tea ware</u>	<u>All other segments</u>	<u>Unallocated</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation of property, plant and equipment . . .	5,928	4,399	231	1,889	7,892	20,339
Depreciation of investment properties	-	-	-	-	998	998
Amortization of leasehold land and land use rights	248	42	23	32	-	345
Losses on disposal of property, plant and equipment, net	1,865	24	-	-	-	1,889
Gains on disposal of investment properties	-	-	-	-	(3,233)	(3,233)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The segment assets and liabilities as at 31 December 2009 are as follows:

	<u>Tea leaves</u>	<u>Tea snacks</u>	<u>Tea ware</u>	<u>All other segments</u>	<u>Unallocated</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	<u>513,943</u>	<u>151,136</u>	<u>44,922</u>	<u>41,741</u>	<u>282,855</u>	<u>1,034,597</u>
Total liabilities . . .	<u>61,551</u>	<u>14,775</u>	<u>14,818</u>	<u>446</u>	<u>390,548</u>	<u>482,138</u>

The segment results for the year ended 31 December 2010:

	<u>Tea leaves</u>	<u>Tea snacks</u>	<u>Tea ware</u>	<u>All other segments</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	876,566	200,786	134,589	35,052	1,246,993
Segment results.	259,528	49,970	14,524	6,676	330,698
Common administrative expenses					(20,733)
Other gains – net.					2,322
Other income					9,019
Finance costs					(8,845)
Share of results of a jointly controlled entity					1,246
Profit before income tax					313,707
Income tax expense					(90,683)
Profit for the year					<u>223,024</u>

Other segment items included in the consolidated statement of comprehensive income:

	<u>Tea leaves</u>	<u>Tea snacks</u>	<u>Tea ware</u>	<u>All other segments</u>	<u>Unallocated</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation of property, plant and equipment	14,909	6,618	1,544	970	7,145	31,186
Depreciation of investment properties	–	–	–	–	292	292
Amortization of leasehold land and land use rights	232	81	45	39	–	397
Losses on disposal of property, plant and equipment, net	20	–	–	–	158	178
Losses on disposal of investment properties	–	–	–	–	932	932

The segment assets and liabilities as at 31 December 2010 are as follows:

	<u>Tea leaves</u>	<u>Tea snacks</u>	<u>Tea ware</u>	<u>All other segments</u>	<u>Unallocated</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	789,486	186,873	104,898	43,466	402,005	1,526,728
Total liabilities	109,036	25,045	19,795	881	708,279	863,036

The segment results for the three months ended 31 March 2011:

	<u>Tea leaves</u>	<u>Tea snacks</u>	<u>Tea ware</u>	<u>All other segments</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	329,054	71,765	49,861	8,887	459,567
Segment results	108,409	18,727	6,275	1,875	135,285
Common administrative expenses					(3,002)
Other gains – net					169
Other income					834
Finance costs					(4,775)
Share of results of a jointly controlled entity					317
Profit before income tax					128,828
Income tax expense					(34,340)
Profit for the period					94,488

Other segment items included in the consolidated statement of comprehensive income:

	<u>Tea leaves</u>	<u>Tea snacks</u>	<u>Tea ware</u>	<u>All other segments</u>	<u>Unallocated</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation of property, plant and equipment . .	4,750	1,862	648	637	1,826	9,723
Depreciation of investment properties	-	-	-	-	68	68
Amortization of leasehold land and land use rights	85	27	19	7	-	138
Losses on disposal of property, plant and equipment, net	116	4	-	-	-	120
	<u>116</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120</u>

The segment assets and liabilities as at 31 March 2011 are as follows:

	<u>Tea leaves</u>	<u>Tea snacks</u>	<u>Tea ware</u>	<u>All other segments</u>	<u>Unallocated</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	850,807	187,887	135,728	51,707	190,681	1,416,810
Total liabilities . . .	110,949	20,565	13,730	416	512,980	658,640
	<u>110,949</u>	<u>20,565</u>	<u>13,730</u>	<u>416</u>	<u>512,980</u>	<u>658,640</u>

The segment results for the three months ended 31 March 2010 (Unaudited):

	<u>Tea leaves</u>	<u>Tea snacks</u>	<u>Tea ware</u>	<u>All other segments</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	187,409	46,332	27,321	7,903	268,965
Segment results	50,537	12,316	474	417	63,744
Common administrative expenses					(1,612)
Other gains – net					1,210
Other income					1,457
Finance costs					(2,687)
Share of results of a jointly controlled entity					292
Profit before income tax					62,404
Income tax expense					(19,489)
Profit for the period					<u>42,915</u>

Other segment items included in the consolidated statement of comprehensive income (Unaudited):

	<u>Tea leaves</u>	<u>Tea snacks</u>	<u>Tea ware</u>	<u>All other segments</u>	<u>Unallocated</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation of property, plant and equipment	2,204	1,556	187	472	1,394	5,813
Depreciation of investment properties	–	–	–	–	119	119
Amortization of leasehold land and land use rights	102	34	22	8	–	166
Gain on disposal of property, plant and equipment, net	1	–	–	–	–	1
	<u>1</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1</u>

6 Leasehold land and land use rights

Land use rights represent the net book amount of prepaid operating lease payments. All the land use rights of the Group are located in the PRC and are held on leases from 36 to 50 years.

Movements in land use rights are as follows:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At beginning of year/period					
Cost	14,764	14,778	17,067	17,067	21,727
Accumulated amortisation.	(1,280)	(1,608)	(1,953)	(1,953)	(2,350)
Net book amount.	<u>13,484</u>	<u>13,170</u>	<u>15,114</u>	<u>15,114</u>	<u>19,377</u>
Opening net book amount.	13,484	13,170	15,114	15,114	19,377
Additions	14	2,289	4,660	-	-
Amortisation for the year/period (Note 23)	<u>(328)</u>	<u>(345)</u>	<u>(397)</u>	<u>(166)</u>	<u>(138)</u>
Closing net book amount	<u>13,170</u>	<u>15,114</u>	<u>19,377</u>	<u>14,948</u>	<u>19,239</u>
At end of year/period					
Cost	14,778	17,067	21,727	17,067	21,727
Accumulated amortisation.	(1,608)	(1,953)	(2,350)	(2,119)	(2,488)
Net book amount.	<u>13,170</u>	<u>15,114</u>	<u>19,377</u>	<u>14,948</u>	<u>19,239</u>

Amortisation expense have been charged to the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Cost of sales	266	274	319	154	127
Selling and marketing expenses	<u>62</u>	<u>71</u>	<u>78</u>	<u>12</u>	<u>11</u>
	<u>328</u>	<u>345</u>	<u>397</u>	<u>166</u>	<u>138</u>

Land use rights have been pledged as securities for bank borrowings as follows:

	As at 31 December			As at 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost of land use rights	9,827	9,827	14,487	9,827	14,487
Net book value of land use rights	8,816	8,624	13,077	8,547	12,973
Pledged bank borrowings (<i>Note 18</i>)	53,000	51,000	90,000	51,000	60,000

7 INVESTMENT PROPERTIES

	Investment properties RMB'000
At 1 January 2008	
Cost.	22,115
Accumulated depreciation	(2,588)
Net book amount	19,527
Year ended 31 December 2008	
Opening net book amount	19,527
Additions.	125
Transfer from property, plant and equipment (<i>Note 8</i>)	5,355
Depreciation (<i>Note 23</i>)	(1,238)
Closing net book amount	23,769
At 31 December 2008	
Cost.	27,784
Accumulated depreciation	(4,015)
Net book amount	23,769
Year ended 31 December 2009	
Opening net book amount	23,769
Depreciation (<i>Note 23</i>)	(997)
Disposals (<i>Note 31</i>)	(17,166)
Closing net book amount	5,606
At 31 December 2009	
Cost.	6,704
Accumulated depreciation	(1,098)
Net book amount	5,606

	Investment properties
	<i>RMB'000</i>
Year ended 31 December 2010	
Opening net book amount	5,606
Depreciation (<i>Note 23</i>)	(293)
	<hr/>
Closing net book amount	5,313
	<hr/> <hr/>
At 31 December 2010	
Cost.	6,704
Accumulated depreciation	(1,391)
	<hr/>
Net book amount	5,313
	<hr/> <hr/>
Three months ended 31 March 2011	
Opening net book amount	5,313
Depreciation (<i>Note 23</i>)	(68)
	<hr/>
Closing net book amount	5,245
	<hr/> <hr/>
At 31 March 2011	
Cost.	6,704
Accumulated depreciation	(1,459)
	<hr/>
Net book amount	5,245
	<hr/> <hr/>
(Unaudited):	
At 1 January 2010	
Cost.	6,704
Accumulated depreciation	(1,098)
	<hr/>
Net book amount	5,606
	<hr/> <hr/>
Three months ended 31 March 2010	
Opening net book amount	5,606
Depreciation (<i>Note 23</i>)	(119)
	<hr/>
Closing net book amount	5,487
	<hr/> <hr/>
At 31 March 2010	
Cost.	6,704
Accumulated depreciation	(1,217)
	<hr/>
Net book amount	5,487
	<hr/> <hr/>

Depreciation expense of RMB1,238,000, RMB997,000, RMB293,000 and RMB68,000 have been charged in "administrative expenses" for the Relevant Periods.

As at 31 December 2008, investment properties with original cost amounting to RMB5,008,000 (net book value amounting to RMB4,839,000) have been pledged as securities for the bank borrowings amounting to RMB5,000,000 (Note 18).

The fair value of the investment properties is RMB26,123,900, RMB6,123,629, RMB6,114,325 and RMB5,680,000 as at 31 December 2008, 2009, 2010 and 31 March 2011 respectively, with carrying amount of RMB23,769,000, RMB5,606,000, RMB5,313,000 and RMB5,245,000. The fair value represents open market value determined at each reporting date by an external valuer.

8 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Vehicles	Furniture, fittings and equipment	Sculpture	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008							
Cost	181,459	40,155	9,414	21,136	10,985	9,465	272,614
Accumulated depreciation	(30,707)	(15,205)	(4,972)	(9,640)	(1,837)	–	(62,361)
Net book amount	<u>150,752</u>	<u>24,950</u>	<u>4,442</u>	<u>11,496</u>	<u>9,148</u>	<u>9,465</u>	<u>210,253</u>
Year ended 31 December 2008							
Opening net book amount	150,752	24,950	4,442	11,496	9,148	9,465	210,253
Additions resulting from							
acquisition (Note 34)	–	–	–	346	–	–	346
Other additions	3,605	5,084	1,106	8,446	244	32,020	50,505
Transfers	19,984	768	–	248	–	(21,000)	–
Transfer to investment							
properties (Note 7)	(5,355)	–	–	–	–	–	(5,355)
Disposals (Note 31)	(1,932)	(742)	(275)	(579)	–	–	(3,528)
Depreciation (Note 23)	(8,151)	(3,440)	(1,319)	(3,432)	(509)	–	(16,851)
Closing net book amount	<u>158,903</u>	<u>26,620</u>	<u>3,954</u>	<u>16,525</u>	<u>8,883</u>	<u>20,485</u>	<u>235,370</u>
At 31 December 2008							
Cost	196,901	42,005	8,844	28,107	11,229	20,485	307,571
Accumulated depreciation	(37,998)	(15,385)	(4,890)	(11,582)	(2,346)	–	(72,201)
Net book amount	<u>158,903</u>	<u>26,620</u>	<u>3,954</u>	<u>16,525</u>	<u>8,883</u>	<u>20,485</u>	<u>235,370</u>
Year ended 31 December 2009							
Opening net book amount	158,903	26,620	3,954	16,525	8,883	20,485	235,370
Additions resulting from							
acquisition (Note 34)	–	–	–	1,699	–	–	1,699
Other additions	5,517	3,621	2,207	2,640	–	10,474	24,459
Transfers	25,564	341	–	4,279	–	(30,184)	–
Disposals (Note 31)	(291)	(2,646)	(433)	(875)	–	–	(4,245)
Depreciation (Note 23)	(10,382)	(3,377)	(1,118)	(4,937)	(525)	–	(20,339)
Closing net book amount	<u>179,311</u>	<u>24,559</u>	<u>4,610</u>	<u>19,331</u>	<u>8,358</u>	<u>775</u>	<u>236,944</u>
At 31 December 2009							
Cost	227,346	41,545	10,213	33,822	11,229	775	324,930
Accumulated depreciation	(48,035)	(16,986)	(5,603)	(14,491)	(2,871)	–	(87,986)
Net book amount	<u>179,311</u>	<u>24,559</u>	<u>4,610</u>	<u>19,331</u>	<u>8,358</u>	<u>775</u>	<u>236,944</u>

	Buildings	Machinery	Vehicles	Furniture, fittings and equipment	Sculpture	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2010							
Opening net book amount	179,311	24,559	4,610	19,331	8,358	775	236,944
Additions resulting from							
acquisition (<i>Note 34</i>)	5,463	–	626	6,977	–	–	13,066
Other additions	41,032	5,812	7,837	9,852	–	6,615	71,148
Transfers	4,197	26	–	–	–	(4,223)	–
Disposals (<i>Note 31</i>)	(4,538)	(314)	(156)	(220)	(6,182)	–	(11,410)
Depreciation (<i>Note 23</i>)	(17,439)	(3,231)	(1,718)	(8,273)	(525)	–	(31,186)
Closing net book amount	<u>208,026</u>	<u>26,852</u>	<u>11,199</u>	<u>27,667</u>	<u>1,651</u>	<u>3,167</u>	<u>278,562</u>
At 31 December 2010							
Cost	273,362	46,662	18,067	50,513	2,408	3,167	394,179
Accumulated depreciation	(65,336)	(19,810)	(6,868)	(22,846)	(757)	–	(115,617)
Net book amount	<u>208,026</u>	<u>26,852</u>	<u>11,199</u>	<u>27,667</u>	<u>1,651</u>	<u>3,167</u>	<u>278,562</u>
Three months ended 31 March 2011							
Opening net book amount	208,026	26,852	11,199	27,667	1,651	3,167	278,562
Additions resulting from							
acquisition (<i>Note 34</i>)	–	209	207	523	–	–	939
Other additions	4,903	462	2,226	2,984	–	80,814	91,389
Disposals (<i>Note 31</i>)	(58)	(93)	(2)	(112)	–	–	(265)
Depreciation (<i>Note 23</i>)	(5,288)	(995)	(654)	(2,751)	(35)	–	(9,723)
Closing net book amount	<u>207,583</u>	<u>26,435</u>	<u>12,976</u>	<u>28,311</u>	<u>1,616</u>	<u>83,981</u>	<u>360,902</u>
At 31 March 2011							
Cost	278,173	46,840	20,914	53,970	2,408	83,981	486,286
Accumulated depreciation	(70,590)	(20,405)	(7,938)	(25,659)	(792)	–	(125,384)
Net book amount	<u>207,583</u>	<u>26,435</u>	<u>12,976</u>	<u>28,311</u>	<u>1,616</u>	<u>83,981</u>	<u>360,902</u>

	Buildings	Machinery	Vehicles	Furniture, fittings and equipment	Sculpture	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited):							
At 1 January 2010							
Cost	227,346	41,545	10,213	33,822	11,229	775	324,930
Accumulated depreciation	(48,035)	(16,986)	(5,603)	(14,491)	(2,871)	–	(87,986)
Net book amount	<u>179,311</u>	<u>24,559</u>	<u>4,610</u>	<u>19,331</u>	<u>8,358</u>	<u>775</u>	<u>236,944</u>
Three months ended 31 March 2010							
Opening net book amount	179,311	24,559	4,610	19,331	8,358	775	236,944
Additions resulting from							
acquisition (<i>Note 34</i>)	5,463	–	626	1,879	–	–	7,968
Other additions	1,304	198	1,339	304	–	462	3,607
Disposals (<i>Note 31</i>)	–	–	(29)	(202)	–	–	(231)
Depreciation (<i>Note 23</i>)	(3,009)	(797)	(718)	(1,173)	(116)	–	(5,813)
Closing net book amount	<u>183,069</u>	<u>23,960</u>	<u>5,828</u>	<u>20,139</u>	<u>8,242</u>	<u>1,237</u>	<u>242,475</u>
At 31 March 2010							
Cost	234,445	41,743	12,206	36,105	11,229	1,237	336,965
Accumulated depreciation	(51,376)	(17,783)	(6,378)	(15,966)	(2,987)	–	(94,490)
Net book amount	<u>183,069</u>	<u>23,960</u>	<u>5,828</u>	<u>20,139</u>	<u>8,242</u>	<u>1,237</u>	<u>242,475</u>

Depreciation expense have been charged to the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost of sales	5,133	6,870	7,295	1,647	2,855
Administrative expenses	8,060	9,229	11,164	1,667	3,477
Distribution costs	3,658	4,240	12,727	2,499	3,391
	<u>16,851</u>	<u>20,339</u>	<u>31,186</u>	<u>5,813</u>	<u>9,723</u>

As at this report date, the certificate of certain property, plant and equipment with carrying amount of RMB34,583,000 is under application process.

9 INTANGIBLE ASSETS

	Software	Trademark	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2008			
Cost.	323	347	670
Accumulated amortisation	(206)	(28)	(234)
Net book amount	<u>117</u>	<u>319</u>	<u>436</u>
Year ended 31 December 2008			
Opening net book amount	117	319	436
Additions.	893	60	953
Amortisation charge (<i>Note 23</i>)	(178)	(35)	(213)
Closing net book amount	<u>832</u>	<u>344</u>	<u>1,176</u>
At 31 December 2008			
Cost.	1,216	407	1,623
Accumulated amortisation	(384)	(63)	(447)
Net book amount	<u>832</u>	<u>344</u>	<u>1,176</u>
Year ended 31 December 2009			
Opening net book amount	832	344	1,176
Additions.	403	8	411
Additions resulting from acquisition (<i>Note 34</i>)	18	–	18
Amortisation charge (<i>Note 23</i>)	(294)	(37)	(331)
Closing net book amount	<u>959</u>	<u>315</u>	<u>1,274</u>
At 31 December 2009			
Cost.	1,636	415	2,051
Accumulated amortisation	(677)	(100)	(777)
Net book amount	<u>959</u>	<u>315</u>	<u>1,274</u>
Year ended 31 December 2010			
Opening net book amount	959	315	1,274
Additions.	2,080	10	2,090
Additions resulting from acquisition (<i>Note 34</i>)	23	–	23
Amortisation charge (<i>Note 23</i>)	(439)	(38)	(477)
Closing net book amount	<u>2,623</u>	<u>287</u>	<u>2,910</u>

	Software	Trademark	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2010			
Cost.	3,741	425	4,166
Accumulated amortisation	(1,118)	(138)	(1,256)
Net book amount	<u>2,623</u>	<u>287</u>	<u>2,910</u>
Three months ended 31 March 2011			
Opening net book amount	2,623	287	2,910
Additions.	166	–	166
Amortisation charge (<i>Note 23</i>)	(197)	(10)	(207)
Closing net book amount	<u>2,592</u>	<u>277</u>	<u>2,869</u>
At 31 March 2011			
Cost.	3,907	425	4,332
Accumulated amortisation	(1,315)	(148)	(1,463)
Net book amount	<u>2,592</u>	<u>277</u>	<u>2,869</u>
(Unaudited):			
At 1 January 2010			
Cost.	1,636	415	2,051
Accumulated amortisation	(677)	(100)	(777)
Net book amount	<u>959</u>	<u>315</u>	<u>1,274</u>
Three months ended 31 March 2010			
Opening net book amount	959	315	1,274
Additions.	17	–	17
Additions resulting from acquisition (<i>Note 34</i>)	23	–	23
Amortisation charge (<i>Note 23</i>)	(103)	(9)	(112)
Closing net book amount	<u>896</u>	<u>306</u>	<u>1,202</u>
At 31 March 2010			
Cost.	1,679	415	2,094
Accumulated amortisation	(783)	(109)	(892)
Net book amount	<u>896</u>	<u>306</u>	<u>1,202</u>

Amortisation expense of RMB213,000, RMB331,000, RMB477,000 and RMB207,000 have been charged in “administrative expenses” for the Relevant Periods.

10 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year/period	3,344	4,536	3,258	3,258	3,748
Share of profit	1,192	916	1,246	292	317
Cash dividends declared.	–	(2,194)	(756)	(756)	(1,034)
At end of year/period	<u>4,536</u>	<u>3,258</u>	<u>3,748</u>	<u>2,794</u>	<u>3,031</u>

The particulars of the jointly controlled entity of the Group during the Relevant Periods, which is unlisted, were set out as follows:

Company name	Country/place and date of incorporation	Paid-up capital	Attributable equity interests to the Group during the Relevant Periods					Principal activities
			As at 31 December			As at 31 March		
			2008	2009	2010	2010	2011	
Zhangzhou Tenfu Oil Limited “Fujian Petrol”)	PRC, 28 March 2002	RMB3,000,000	50%	50%	50%	50%	50%	Before 1 May 2009, retail of oil; Since 1 May 2009, lease of assets

The Group's 50% share of the results of the jointly controlled entity, which is unlisted, and its aggregated assets and liabilities, are as follows:

	Assets	Liabilities	Revenues	Profit	% interest held
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Year ended 31 December 2008	<u>4,843</u>	<u>307</u>	<u>48,706</u>	<u>1,192</u>	50%
Year ended 31 December 2009	<u>3,534</u>	<u>276</u>	<u>9,894</u>	<u>916</u>	50%
Year ended 31 December 2010	<u>3,918</u>	<u>170</u>	<u>2,086</u>	<u>1,246</u>	50%
Three months ended 31 March 2011.	<u>3,161</u>	<u>130</u>	<u>632</u>	<u>317</u>	50%
Three months ended 31 March 2010 (Unaudited)	<u>2,984</u>	<u>189</u>	<u>623</u>	<u>292</u>	50%

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

(a) Group

(i) Trade and other receivables

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Current				
Trade receivables – due from third parties.	157,762	211,553	331,010	182,981
Trade receivables – due from related parties (<i>Note 35</i>)	1,556	3,991	5,872	1,140
Less: Provision for impairment of trade receivables	(392)	(641)	–	–
Trade receivables – net.	158,926	214,903	336,882	184,121
Other receivables due from third parties (i)	87,239	146,589	–	–
Other receivables due from related parties (<i>Note 35</i>)	4,265	34,709	–	–
Other receivables from a Financial Investor	–	–	6,715	–
Others	3,546	6,044	10,472	7,557
	95,050	187,342	17,187	7,557
	253,976	402,245	354,069	191,678

(i) As of 31 December 2008 and 2009, other receivables due from third parties represent lending to Zhangpu Tian Fu Industry Co., Ltd. and Zhangzhou Tenfu Tea College. The balances had been received in 2010.

As of 31 December 2008, 2009 and 2010 and 31 March 2011, the ageing analysis of the trade receivables is as follows:

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Up to 6 months	153,470	185,021	292,339	184,121
6 months to 1 year	5,575	28,260	24,800	–
1 year to 2 years	273	2,263	19,743	–
	159,318	215,544	336,882	184,121

As of 31 December 2008, 2009 and 2010 and 31 March 2011, trade receivables of RMB5,848,000, RMB30,523,000, RMB44,543,000 and nil were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
Past due within 6 months	5,575	28,260	24,800	–
Past due in 6 months to 2 years.	273	2,263	19,743	–
	<u>5,848</u>	<u>30,523</u>	<u>44,543</u>	<u>–</u>

As of 31 December 2008, 2009, 2010 and 31 March 2011, trade receivables of RMB470,000, RMB2,263,000, nil and nil were impaired and provided for. The amount of the provision was RMB392,000, RMB641,000, nil and nil as of 31 December 2008, 2009, 2010 and 31 March 2011 respectively. The individually impaired receivables mainly relate to wholesalers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these trade receivables is as follows:

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
6 months to 1 year	373	–	–	–
1 year to 2 years	97	2,263	–	–
2 years to 3 years.	–	–	–	–
	<u>470</u>	<u>2,263</u>	<u>–</u>	<u>–</u>

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
RMB	252,781	400,973	347,287	190,892
USD	1,195	1,272	6,782	786
	<u>253,976</u>	<u>402,245</u>	<u>354,069</u>	<u>191,678</u>

Movements on the Group's provision for impairment of trade receivables are as follows:

	Year ended 31 December			Three months ended
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
At 1 January	139	392	641	–
Provision for/(reversal of) receivables impairment (<i>Note 23</i>)	260	249	(641)	–
Receivables written off during the year/period as uncollectible	(7)	–	–	–
At 31 December/31 March	<u>392</u>	<u>641</u>	<u>–</u>	<u>–</u>

The creation and release of provision for impaired receivables have been included in “administrative expenses” in the consolidated statements of comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

(ii) *Prepayments*

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
Non-current				
Prepayments for property, plant and equipment	–	–	8,462	8,962
Prepayments for lease of property	1,180	–	–	–
	<u>1,180</u>	<u>–</u>	<u>8,462</u>	<u>8,962</u>
Current				
Prepayments for lease of property and lease deposits – current portion	2,921	10,107	56,021	76,332
Other prepayments	5,194	5,218	9,038	33,884
Prepaid taxes	2,121	8,428	5,579	4,825
	<u>10,236</u>	<u>23,753</u>	<u>70,638</u>	<u>115,041</u>
	<u>11,416</u>	<u>23,753</u>	<u>79,100</u>	<u>124,003</u>

(b) Company

(i) Trade and other receivables

	As at 31 December 2010	As at 31 March 2011
	<i>RMB'000</i>	<i>RMB'000</i>
Current		
Dividends receivable from subsidiaries	157,254	88,059
Other receivables from a Financial Investor	6,715	–
	<u>163,969</u>	<u>88,059</u>

(ii) Prepayments

	As at 31 December 2010	As at 31 March 2011
	<i>RMB'000</i>	<i>RMB'000</i>
Current		
Other prepayments	–	5,398
	<u>–</u>	<u>5,398</u>

12 INVENTORIES

	As at 31 December			As at 31 March 2011
	2008	2009	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and packaging				
materials	41,406	63,470	78,733	69,024
Work in progress	46,767	55,601	68,697	50,778
Finished goods	60,463	71,866	151,743	147,407
	<u>148,636</u>	<u>190,937</u>	<u>299,173</u>	<u>267,209</u>

The cost of inventories recognized as expense and included in “cost of sales” amounted to RMB287,788,000, RMB364,264,000, RMB525,998,000 and RMB173,287,000 (Note 23) for the Relevant Periods.

The Group did not recognize any losses on obsolete inventories or write-down of inventories for the Relevant Periods.

13 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Cash at bank and on hand (a)	21,767	146,678	454,145	417,864
Less: Restricted cash (b)	—	(5,507)	(3,460)	(7,220)
Cash and cash equivalents	<u>21,767</u>	<u>141,171</u>	<u>450,685</u>	<u>410,644</u>

(a) All cash at bank are deposits with original maturity within 3 months. The Group earns interest on cash at bank, including restricted cash, at floating bank deposit rates.

(b) Fixed deposits of nil, RMB5,507,000, RMB3,460,000 and RMB7,220,000 as at 31 December 2008, 2009, 2010 and 31 March 2011 are pledged as collateral for the Group's short-term borrowings of nil, RMB5,482,000, RMB3,457,000 and RMB7,201,000 respectively (Note 18).

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
RMB	19,864	118,510	184,942	345,163
USD	1,903	22,661	265,713	65,481
HKD	—	—	30	—
	<u>21,767</u>	<u>141,171</u>	<u>450,685</u>	<u>410,644</u>

All restricted cash is denominated in RMB.

14 SHARE CAPITAL AND PREMIUM – GROUP AND COMPANY

(a) Authorised shares

	Number of authorised shares (thousands)
At 22 April 2010 (date of incorporation) (i)	3,800
Increase on 10 August 2010 (ii)	96,200
Increase on 15 December 2010 (iii)	<u>7,900,000</u>
At 31 December 2010 and 31 March 2011	<u>8,000,000</u>

(i) Upon incorporation on 22 April 2010, the authorised share capital was HKD380,000 divided into 3,800,000 ordinary shares of HKD0.1 each.

(ii) On 10 August 2010, the Company increased its authorised share capital from HKD380,000 to HKD10,000,000 divided into 100,000,000 ordinary shares of par value HKD0.1 each.

(iii) On 15 December 2010, the Company increased its authorised share capital from HKD10,000,000 to HKD800,000,000 divided into 8,000,000,000 ordinary shares of par value HKD0.1 each.

(b) Issued shares

	Number of issued shares	Ordinary shares	Share premium	Total
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
At 22 April 2010 (date of incorporation)	–	–	–	–
Issuance of ordinary shares to the Founders (i)	1,000	88	–	88
Issuance of ordinary shares to				
Mr. Lee Rie-Ho (ii)	100	9	–	9
Share swap (Note 1.2 (d))(iii)	94,378,900	8,234,560	–	8,234,560
Issuance of ordinary shares to the Financial Investors (iv)	7,478,746	640,000	194,806,000	195,446,000
At 31 December 2010 and 31 March 2011	<u>101,858,746</u>	<u>8,874,657</u>	<u>194,806,000</u>	<u>203,680,657</u>

- (i) Upon incorporation on 22 April 2010, the Company issued 1,000 ordinary shares to the Founders at the par value of HKD0.1 per share, with a total consideration of HKD100 (RMB88).
- (ii) On 4 August 2010, the Company issued 100 ordinary shares to Mr. Lee Rie-Ho at the par value of HKD0.1 per share, with a total consideration of HKD10 (RMB9).
- (iii) On 4 August 2010, the Company issued 94,378,900 ordinary shares to the Founders at the par value of HKD0.1 per share to transfer their entire equity interests in Ten Rui BVI and Tenfu BVI to the Company, with a total consideration of HKD9,437,890 (RMB8,234,560). After the share swap, the Company became the holding company of the Group (Note 1). After the share swap in August 2010, the Company's issued and outstanding ordinary shares were 94,380,000 shares, with a par value of HKD0.1 per share; and its share capital amounted to HKD9,438,000 (RMB8,234,657).
- (iv) On 20 December 2010, the Company issued 7,478,746 ordinary shares to the Financial Investors at a price of USD4.0114 per share, with an aggregated price of USD30 million (RMB199,869,000) (Note 1). The excess over the par value of RMB640,000 for the 7,478,746 ordinary share issued to the Financial Investors net of transaction costs RMB4,423,000 was credited to "share premium" with amount of RMB194,806,000.
- (v) Pursuant to a shareholders' resolution dated 31 August 2011, conditional on the share premium account of the Company being credited as a result of the issue of the offer shares pursuant to the proposed global offering described in the Prospectus, the Company will capitalise an amount of HKD91,672,871.4, standing to the credit of its share premium account by applying such sum to pay up in full at par a total of 916,728,714 Shares for allotment and issue to the persons whose names appear on the then register of members of the Company prior to the Listing of the Company in accordance with their respective shareholdings in the Company (as nearly as possible without involving fractions) or in accordance with the direction of such member.

15 RETAINED EARNINGS/ACCUMULATED LOSSES

(a) Retained earnings – Group

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	13,791	106,564	230,307	230,307	117,601
Profit for the year/period	109,224	138,932	223,024	42,915	94,488
Dividends declared (Note 29)	(4,973)	–	(307,238)	–	–
Appropriation to statutory reserves (Note 16)	(11,478)	(15,189)	(28,492)	–	–
At 31 December/31 March	<u>106,564</u>	<u>230,307</u>	<u>117,601</u>	<u>273,222</u>	<u>212,089</u>

(b) Accumulated losses – Company

	The period from 22 April 2010 (date of incorporation) to 31 December 2010	Three months ended 31 March 2011
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of the period	–	(1,492)
Profit/(loss) for the period	305,746	(2,242)
Dividends declared (<i>Note 29</i>)	(307,238)	–
	<u> </u>	<u> </u>
At end of the period	<u> (1,492) </u>	<u> (3,734) </u>

16 OTHER RESERVES

(a) Group

	Merger reserve (I)	Capital reserve (II)	Statutory reserves (III)	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2008	279,922	231	8,209	288,362
Incorporation of a subsidiary under common control	7,109	–	–	7,109
Appropriation to statutory reserves (<i>Note 15</i>)	–	–	11,478	11,478
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2008	<u>287,031</u>	<u>231</u>	<u>19,687</u>	<u>306,949</u>
At 1 January 2009	287,031	231	19,687	306,949
Incorporation of subsidiaries under common control	14	–	–	14
Appropriation to statutory reserves (<i>Note 15</i>)	–	–	15,189	15,189
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2009	<u>287,045</u>	<u>231</u>	<u>34,876</u>	<u>322,152</u>
At 1 January 2010	287,045	231	34,876	322,152
Share swap (<i>Note 1.2 (d), 14(a)</i>)	(8,234)	–	–	(8,234)
Appropriation to statutory reserves (<i>Note 15</i>)	–	–	28,492	28,492
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2010 and 31 March 2011	<u>278,811</u>	<u>231</u>	<u>63,368</u>	<u>342,410</u>
At 1 January 2010 and 31 March 2010 (Unaudited).	<u>287,045</u>	<u>231</u>	<u>34,876</u>	<u>322,152</u>

(I) Merger reserve comprises the differences between the cost of investments in subsidiaries and net assets of the subsidiaries acquired under common control.

(II) *Capital reserve*

Capital reserve as at 1 January 2008 mainly comprised exchange differences relating to foreign currency capital injection.

(III) *Statutory reserves*

Pursuant to the Company Law of the PRC and the articles of association of certain Group companies, the subsidiaries in the PRC are required to appropriate 10% of each year's net profit (after offsetting previous years' losses) to statutory surplus reserve until the fund aggregates to 50% of their registered capital; after the appropriation to statutory surplus reserve, the subsidiaries in the PRC can appropriate profit, subject to respective equity holders' approval, to discretionary surplus reserve.

The appropriation to statutory and discretionary surplus reserves must be made before distribution of dividends to equity holders. These reserves shall only be used to make up for previous years' losses, to expand production operations, or to increase the capital of the respective company. The entities in the PRC may transfer their respective statutory surplus reserves into paid-in capital, provided that the balance of the statutory surplus reserve after such transfer is not less than 25% of the registered capital.

17 TRADE AND OTHER PAYABLES

(a) Group

	As at 31 December			As at
	2008	2009	2010	31 March 2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables – due to third parties	26,888	37,394	73,152	69,011
Trade payables – due to related parties (<i>Note 35</i>)	5,363	20,797	21,559	7,260
Other taxes payable	5,953	5,433	15,073	10,319
Employee benefit payables	4,037	5,791	31,375	17,241
Accrued operating expenses	930	4,644	14,945	16,701
Advances from customers	760	19,685	8,236	6,232
Amounts due to related parties (<i>Note 35</i>)	81,665	74,488	83,923	37,905
Others	9,969	11,351	11,969	19,854
	<u>135,565</u>	<u>179,583</u>	<u>260,232</u>	<u>184,523</u>

At 31 December 2008, 2009 and 2010 and 31 March 2011, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

	As at 31 December			As at
	2008	2009	2010	31 March 2011
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 6 months	29,115	55,077	91,584	70,406
6 months to 1 year	–	–	13	2,738
1 year to 2 years	3,136	–	–	13
Over 2 years	–	3,114	3,114	3,114
	<u>32,251</u>	<u>58,191</u>	<u>94,711</u>	<u>76,271</u>

As of this report date, the amounts due to related parties have been fully paid by the Company.

(b) Company

	As at 31 December 2010	As at 31 March 2011
	<i>RMB'000</i>	<i>RMB'000</i>
Other payables	4,423	4,423

18 BORROWINGS

	As at 31 December			As at 31 March
	2008	2009	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current				
Non-current portion of long-term bank borrowings				
– Mortgaged bank borrowings (i)	–	3,688	738	–
Current				
Current portion of long-term bank borrowings				
– Mortgaged bank borrowings (i)	–	2,212	2,950	–
Short-term bank borrowings				
– Unsecured bank borrowings (ii)	85,000	197,618	302,568	284,008
– Mortgaged bank borrowings (i)	58,000	56,482	93,458	67,201
	<u>143,000</u>	<u>254,100</u>	<u>396,026</u>	<u>351,209</u>
Total borrowings	<u>143,000</u>	<u>260,000</u>	<u>399,714</u>	<u>351,209</u>

(a) As at 31 December 2008, the bank borrowings comprised:

- (i) Bank borrowings of RMB53,000,000 are secured by the land use rights (Note 6). Bank borrowings of RMB5,000,000 are secured by investment properties of the Group (Note 7).
- (ii) Bank borrowings RMB10,000,000 are guaranteed by Mr. Lee Kuo-Lin, a related party (Note 35).

(b) As at 31 December 2009, the bank borrowings comprised:

- (i) Bank borrowings of RMB51,000,000 are secured by the land use rights of the Group (Note 6). Bank borrowings of RMB5,900,000 are secured by a property of Mr. Lin Mingxi, a third party. Bank borrowings of RMB5,482,000 are secured by bank deposits (Note 13).
- (ii) Bank borrowings of RMB70,000,000 are guaranteed by Mr. Lee Kuo-Lin, a related party (Note 35).

(c) As at 31 December 2010, the bank borrowings comprised:

- (i) Bank borrowings of RMB90,000,000 are secured by the land use rights of the Group (Note 6). Bank borrowings of RMB3,688,000 are secured by a property of Mr. Lin Mingxi, a third party. Bank borrowings of RMB3,458,000 are secured by bank deposits (Note 13).
- (ii) Bank borrowings of RMB70,000,000 are guaranteed by Mr. Lee Kuo-Lin, a related party (Note 35). Bank borrowings of RMB19,868,100 are guaranteed by Mr. Lee Rie-Ho, Mr. Lee Shih-Wei and Mr. Lee Chia Ling, all of them are related parties.

(d) As at 31 March 2011, the bank borrowings comprised:

- (i) Bank borrowings of RMB60,000,000 are secured by the land use rights of the Group (Note 6). Bank borrowings of RMB7,201,000 are secured by bank deposits (Note 13).
- (ii) Bank borrowings of RMB70,000,000 are guaranteed by Mr. Lee Kuo-Lin, a related party (Note 35). Bank borrowings of RMB21,308,000 are guaranteed by Mr. Lee Rie-Ho, Mr. Lee Shih-Wei and Mr. Lee Chia Ling, all of them are related parties.

As of this report date, guarantees provided by related parties have been fully released.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 December			As at
	2008	2009	2010	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2011
RMB	143,000	236,900	376,388	322,700
HKD	–	17,618	–	–
USD	–	5,482	23,326	28,509
	<u>143,000</u>	<u>260,000</u>	<u>399,714</u>	<u>351,209</u>

The weighted average effective interest rates at each balance sheet date were as follows:

	As at 31 December			As at
	2008	2009	2010	31 March
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	2011
Bank borrowings – long-term	<u>N/A</u>	<u>5.40%</u>	<u>5.40%</u>	<u>N/A</u>
Bank borrowings – short-term	<u>6.65%</u>	<u>5.11%</u>	<u>5.07%</u>	<u>5.02%</u>

The fair value of current and non-current bank borrowings approximate their carrying amount.

19 DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes related to the same tax authority. The net deferred income tax balances after offsetting are as follows:

	As at 31 December			As at
	2008	2009	2010	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2011
Deferred tax assets:				
– to be recovered after more than 12 months	405	234	249	253
– to be recovered within 12 months	<u>1,949</u>	<u>8,554</u>	<u>30,082</u>	<u>24,527</u>
	<u>2,354</u>	<u>8,788</u>	<u>30,331</u>	<u>24,780</u>
Deferred tax liabilities:				
– to be recovered after more than 12 months	5,213	4,175	–	1,275
– to be recovered within 12 months	<u>–</u>	<u>9,596</u>	<u>14,477</u>	<u>14,477</u>
	<u>5,213</u>	<u>13,771</u>	<u>14,477</u>	<u>15,752</u>

The gross movement on the deferred income tax account is as follows:

	Provision for impairment	Temporary differences in respect of accruals	Tax losses	Unrealised profit on inventories	Withholding tax on unremitted earnings of certain subsidiaries	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	26	690	186	424	–	–	1,326
Credited / (charged) to the consolidated statements of comprehensive income (Note 27)	71	214	–	236	(5,213)	507	(4,185)
At 31 December 2008	<u>97</u>	<u>904</u>	<u>186</u>	<u>660</u>	<u>(5,213)</u>	<u>507</u>	<u>(2,859)</u>
At 1 January 2009	97	904	186	660	(5,213)	507	(2,859)
Credited / (charged) to the consolidated statements of comprehensive income (Note 27)	63	981	295	4,591	(8,558)	504	(2,124)
At 31 December 2009	<u>160</u>	<u>1,885</u>	<u>481</u>	<u>5,251</u>	<u>(13,771)</u>	<u>1,011</u>	<u>(4,983)</u>
At 1 January 2010	160	1,885	481	5,251	(13,771)	1,011	(4,983)
Paid out	–	–	–	–	9,596	–	9,596
Credited / (charged) to the consolidated statements of comprehensive income (Note 27)	(160)	5,146	(309)	16,856	(10,302)	10	11,241
At 31 December 2010	<u>–</u>	<u>7,031</u>	<u>172</u>	<u>22,107</u>	<u>(14,477)</u>	<u>1,021</u>	<u>15,854</u>
At 1 January 2011	–	7,031	172	22,107	(14,477)	1,021	15,854
Credited / (charged) to the consolidated statements of comprehensive income (Note 27)	–	(2,636)	551	(3,385)	(1,275)	(81)	(6,826)
At 31 March 2011	<u>–</u>	<u>4,395</u>	<u>723</u>	<u>18,722</u>	<u>(15,752)</u>	<u>940</u>	<u>9,028</u>
(Unaudited):							
At 1 January 2010	160	1,885	481	5,251	(13,771)	1,011	(4,983)
Credited / (charged) to the consolidated statements of comprehensive income (Note 27)	(160)	1,199	(473)	6,505	(4,423)	(83)	2,565
At 31 March 2010	<u>–</u>	<u>3,084</u>	<u>8</u>	<u>11,756</u>	<u>(18,194)</u>	<u>928</u>	<u>(2,418)</u>

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2008, 2009 and 2010 and 31 March 2011, the Group did not recognize deferred income tax assets of RMB41,000, RMB37,000, RMB89,000 and RMB91,000 in respect of losses amounting to RMB251,000, RMB226,000, RMB538,000 and RMB552,000 that can be carried forward against future taxable income. At 31 December 2008, 2009 and 2010 and 31 March 2011, losses amounting to RMB744,000, RMB1,924,000, RMB688,000 and RMB2,892,000 will expire in 2013, 2014, 2015 and 31 March 2016 respectively.

As at 31 December 2008, 2009 and 2010 and 31 March 2011, the unrealised profit on inventories sold by the Group's PRC Tea Subsidiaries to the PRC sales subsidiaries amounted to RMB2,640,000, RMB21,002,000, RMB88,426,000 and RMB74,889,000 respectively, and were eliminated in the Group's consolidated financial information. Deferred tax assets were recognised for the unrealised profits.

At 31 December 2008, 2009 and 2010 and 31 March 2011, deferred income tax liabilities of nil, nil, RMB11,309,000 and RMB16,409,000 have not been recognized for the withholding tax. Such amounts are intended to be reinvested. Unremitted earnings totalled nil, nil, RMB142,194,000 and RMB203,888,000 respectively.

20 REVENUE

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue from sale of tea leaves, tea snacks and tea ware	553,334	670,259	1,211,941	261,063	450,681
Revenue from hotel accommodation, restaurant and tourism services	17,629	22,456	35,052	7,902	8,886
	<u>570,963</u>	<u>692,715</u>	<u>1,246,993</u>	<u>268,965</u>	<u>459,567</u>

21 OTHER (LOSSES)/GAINS – NET

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
(Losses)/ gains on disposal of investment properties and property, plant and equipment, net (Note 31)	(2,048)	1,344	(1,110)	1	(120)
Net foreign exchange (loss)/gain	(249)	(47)	2,244	21	(759)
Gains from acquisition of subsidiaries (Note 34)	–	575	1,188	1,188	1,048
	<u>(2,297)</u>	<u>1,872</u>	<u>2,322</u>	<u>1,210</u>	<u>169</u>

22 OTHER INCOME

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Government grants	1,000	240	5,067	700	256
Investment property rental income	1,288	4,425	1,745	347	361
Others	632	274	2,207	410	217
	<u>2,920</u>	<u>4,939</u>	<u>9,019</u>	<u>1,457</u>	<u>834</u>

23 EXPENSES BY NATURE

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Cost of inventories (<i>Note 12</i>)	287,788	364,264	525,998	141,653	173,287
Employee benefit expenses – including					
directors' emoluments (<i>Note 24</i>)	43,750	51,443	153,099	21,860	56,553
Amortisation of land use rights (<i>Note 6</i>)	328	345	397	166	138
Depreciation of investment properties					
(<i>Note 7</i>)	1,238	997	293	119	68
Depreciation of property, plant and					
equipment (<i>Note 8</i>)	16,851	20,339	31,186	5,813	9,723
Amortisation of intangible					
assets (<i>Note 9</i>)	213	331	477	112	207
Sales commission	–	621	22,250	4,965	17,890
Transportation expenses	9,451	9,093	18,332	3,483	7,456
Utilities	8,916	9,306	19,327	3,321	4,686
Travelling expenses	1,385	1,501	2,621	410	574
Advertising costs	27,374	620	5,239	958	3,239
Operating lease payments	3,948	12,530	78,624	10,663	24,892
Provision for/(reversal of) impairment of					
trade receivables (<i>Note 11</i>)	260	249	(641)	–	–
Tax charges	2,797	2,548	3,325	602	1,125
Pre-operating expenses	176	1,081	15,355	933	6,378
Free trial expenses	7,215	9,758	18,542	3,949	8,368
Office expenses	1,908	2,083	7,523	876	1,540
Maintenance and repairing costs	2,176	2,257	5,046	555	824
Entertainment expenses	392	894	4,958	595	2,656
Auditors' remuneration	21	709	1,348	–	–
Other expenses	4,779	7,265	23,729	5,800	7,680
Total cost of sales, distribution costs and					
administrative expenses	420,966	498,234	937,028	206,833	327,284

24 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Wages and salaries	40,700	46,537	139,497	19,940	41,549
Social security costs	2,408	3,830	10,989	1,918	13,174
Other benefits	642	1,076	2,613	1,112	1,830
	43,750	51,443	153,099	22,970	56,553

25 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of each director of the Company for the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011 are set out as follows:

Name of Director	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Mr. Lee Rie-Ho					
– Salary	270	360	2,723	90	100
– Other benefits	–	–	–	–	–
Mr. Lee Chia Ling					
– Salary	–	–	3,820	–	69
– Other benefits	–	–	–	–	–
Mr. Lee Kuo-Lin					
– Salary	270	360	1,449	90	90
– Other benefits	–	–	–	–	–
Mr. Lee Shih-Wei					
– Salary	165	165	2,288	41	41
– Other benefit	–	–	–	–	–
Mr. Lee Min-Zun					
– Salary	–	–	160	–	30
– Other benefits	–	–	–	–	–
Mr. Tseng Ming-Sung					
– Salary	–	–	–	–	–
– Other benefits	–	–	–	–	–
Mr. Lo Wah Wai*					
– Salary	–	–	–	–	–
– Other benefits	–	–	–	–	–
Mr. Lee Kwan Hung*					
– Salary	–	–	–	–	–
– Other benefits	–	–	–	–	–
Mr. Fan Ren Da, Anthony*					
– Salary	–	–	–	–	–
– Other benefits	–	–	–	–	–
Mr. Lee Shen-Chih					
– Salary	–	180	450	–	90
– Other benefits	–	–	–	–	–
Mr. Lee Mao-Ling					
– Salary	–	–	220	–	40
– Other benefits	–	–	–	–	–
Mr. Lee Yen-Ping					
– Salary	–	–	131	–	41
– Other benefits	–	–	–	–	–
	<u>705</u>	<u>1,065</u>	<u>11,241</u>	<u>221</u>	<u>501</u>

* Mr. Lo Wah Wai, Mr. Lee Kwan Hung and Mr. Fan Ren Da, Anthony were appointed on 31 August 2011.

For the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, no directors received emoluments from the Group as inducement to join or upon joining the Group or as compensation for loss of office. No directors waived or had agreed to waive any emoluments.

(b) Five highest paid individuals

During the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, all the five highest paid individuals are directors of the Company, whose emoluments are reflected in the analysis presented above.

For the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, no emoluments were paid by the Group to the five highest individuals as inducement to join or upon joining the Group or as compensation for loss of office.

26 FINANCE COSTS – NET

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Finance costs					
– Interest expense on bank borrowings (Note 31)	9,327	9,417	9,890	2,848	5,102
Finance income					
– Interest income on short-term bank deposits (Note 31)	(209)	(442)	(782)	(161)	(327)
– Net foreign exchange gain	–	–	(263)	–	–
Net finance costs	<u>9,118</u>	<u>8,975</u>	<u>8,845</u>	<u>2,687</u>	<u>4,775</u>

27 INCOME TAX EXPENSE

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current income tax					
– PRC corporate income tax	29,285	52,177	101,924	22,054	27,514
Deferred income tax (Note 19).	4,185	2,124	(11,241)	(2,565)	6,826
Income tax expense	<u>33,470</u>	<u>54,301</u>	<u>90,683</u>	<u>19,489</u>	<u>34,340</u>

(i) Cayman Islands profits tax

The Company has not been subject to any taxation in the Cayman Islands.

(ii) Hong Kong profits tax

No Hong Kong profits tax has been provided, as the Group has no taxable profit earned or derived in Hong Kong. The applicable Hong Kong profit tax rate is 16.5% for the Relevant Periods.

(iii) PRC corporate income tax ("CIT")

CIT is provided on the assessable income of entities within the Group incorporated in the PRC.

Pursuant to the PRC Corporate Income Tax Law (the "New CIT Law"), the CIT is unified at 25% for all types of entities, effective from 1 January 2008.

Jiajiang Tenfu, a subsidiary of the Company, is qualified as a foreign investment manufacturing enterprise. Jiajiang Tenfu's applicable CIT rate is 25% according to the New CIT Law. Under the relevant regulations of the new CIT Law, Jiajiang Tenfu was entitled to enjoy a 5-year tax holiday from the first tax profitable year, with 2 years exemption from CIT followed by 3 years 50% reduction in CIT (the "Tax Holiday"). As approved by the tax authorities, the Tax Holiday began from 2008. For the Relevant Periods, the applicable income tax rate of Jiajiang Tenfu is 0%, 0%, 12.5% and 12.5%, respectively.

(iv) PRC withholding income tax

According to the new CIT Law, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies established out of the PRC when their PRC subsidiaries declare dividends out of their profits earned after 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax	142,694	193,233	313,707	62,404	128,828
Tax calculated at domestic tax rates applicable to profits in the respective jurisdiction	35,674	48,308	80,928	15,601	32,207
Tax effects of:					
Effect of tax holiday	(7,893)	(3,116)	(1,401)	(429)	(194)
Expenses not deductible for tax purposes	774	924	1,462	264	1,393
Income not subject to tax	(298)	(373)	(608)	(370)	(341)
Effect of withholding tax on the expected distributable profits of the subsidiaries in the PRC	5,213	8,558	10,302	4,423	1,275
Tax charges	<u>33,470</u>	<u>54,301</u>	<u>90,683</u>	<u>19,489</u>	<u>34,340</u>

28 EARNINGS PER SHARE

Basic earnings per share for the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011 is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the Relevant Periods. In determining the weighted average number of ordinary shares in issue during the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, the 94,378,900 shares issued and allotted in connection with the Reorganisation on 24 August 2010 has been treated as if the 94,378,900 shares were in issue since 1 January 2008.

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Profit attributable to equity holders of the Company	109,224	138,932	223,024	43,160	94,488
Weighted average number of ordinary shares in issue	94,378,900	94,378,900	94,605,021	94,378,900	101,858,746
Basic earnings per share	1.16	1.47	2.36	0.45	0.93

As there were no dilutive options and other dilutive potential shares in issue during the Relevant Periods, diluted earnings per share is the same as basic earnings per share.

The basic earnings per share and diluted earnings per share as presented on the consolidated statements of comprehensive income have not taken into account the proposed capitalisation issue as described in Note 14(b)(v).

29 DIVIDENDS

Dividends disclosed for the year ended 31 December 2008 represent dividends declared or proposed by the Group entities comprising the Group out of their retained earnings to the then equity holders of the respective companies, after eliminating intra-group dividends.

On 29 November 2010, the Company declared a cash dividend of USD46,181,076 (RMB307,238,000) in favour of all the equity holders of the Company. As of this report date, the dividend payable has been fully paid by the Company.

30 INVESTMENTS IN SUBSIDIARIES – COMPANY

	As at 31 December 2010	As at 31 March 2011
	<i>RMB'000</i>	<i>RMB'000</i>
Due from subsidiaries (i)	33,114	163,910
Unlisted equity investments, at cost	8,234	8,234
	<u>41,348</u>	<u>172,144</u>

- (i) These amounts due from subsidiaries represent equity funding by the Company to the subsidiaries and are measured in accordance with the Company's accounting policy for investments in subsidiaries. They are unsecured and non-interest bearing.

Particulars of the subsidiaries of the Group as at 31 December 2008, 2009 and 2010 and 31 March 2011 are as follows:

Company name	Date of incorporation	Legal status	Registered capital	Issued and fully paid share capital	Effective interest held as at				Principal activities
					31 December		31 March		
					2008	2009	2010	2011	
Subsidiaries – established in the PRC									
Zhangzhou Tenfu	PRC, 24 December 1998	Foreign investment enterprise	USD 15,000,000	USD 15,000,000	100%	100%	100%	100%	Classification, packaging of tea leaves, manufacture of tea snacks, and sale of tea leaves, tea snacks and tea ware
Zhangpu Tenfu	PRC, 17 November 1999	Foreign investment enterprise	USD 12,000,000	USD 12,000,000	100%	100%	100%	100%	Sale of tea leaves, tea snacks and tea ware and provision of sightseeing and related service
Minhou Tianyuan	PRC, 23 October 1993	Foreign investment enterprise	USD 3,640,000	USD 3,640,000	100%	100%	100%	100%	Classification, packaging of tea leaves, manufacture of tea snacks, and sale of tea leaves, tea snacks and tea ware
Jiajiang Tenfu	PRC, 17 October 2002	Foreign investment enterprise	USD 4,000,000	USD 4,000,000	100%	100%	100%	100%	Classification, packaging of tea leaves, manufacture of tea snacks, and sale of tea leaves, tea snacks and tea ware
Sichuan Tenfu Tea Sales Co., Ltd. (“Sichuan Tenfu”)	PRC, 10 February 2009	Foreign investment enterprise	USD 250,000	USD 250,000	N/A	100%	100%	100%	Sale of tea leaves, tea snacks and tea ware
Guizhou Tenfu Tea Sales Co., Ltd. (“Guizhou Tenfu”)	PRC, 26 March 2009	Foreign investment enterprise	USD 500,000	USD 500,000	N/A	100%	100%	100%	Sale of tea leaves, tea snacks and tea ware
Xin Jiang Tian Fu Tea Sales Co., Ltd. (“Xinjiang Tenfu”)	PRC, 14 April 2009	Foreign investment enterprise	USD 200,000	USD 200,000	N/A	100%	100%	100%	Sale of tea leaves, tea snacks and tea ware
Shan Xi Tian Fu Tea Sales Co., Ltd. (“Shanxi Tenfu”)	PRC, 29 April 2009	Foreign investment enterprise	USD 750,000	USD 750,000	N/A	100%	100%	100%	Sale of tea leaves, tea snacks and tea ware
Fu Zhou Tian Fu Tea Sales Co., Ltd. (“Fuzhou Tenfu”)	PRC, 30 April 2009	Foreign investment enterprise	USD 2,000,000	USD 2,000,000	N/A	100%	100%	100%	Sale of tea leaves, tea snacks and tea ware
Jiang Xi Tian Fu Tea Sales Co., Ltd. (“Jiangxi Tenfu”)	PRC, 7 May 2009	Foreign investment enterprise	USD 1,650,000	USD 1,650,000	N/A	100%	100%	100%	Sale of tea leaves, tea snacks and tea ware
Shaan Xi Tian Fu Tea Sales Co., Ltd. (“Shaanxi Tenfu”)	PRC, 18 May 2009	Foreign investment enterprise	USD 2,300,000	USD 2,300,000	N/A	100%	100%	100%	Sale of tea leaves, tea snacks and tea ware

Company name	Date of incorporation	Legal status	Registered capital	Issued and fully paid share capital	Effective interest held as at				Principal activities
					31 December		31 March		
					2008	2009	2010	2011	
Subsidiaries – established in the PRC									
Guang Dong Tian Fu Tea Sales Co., Ltd. (“Guangdong Tenfu”)	PRC, 10 June 2009	Foreign investment enterprise	USD 1,500,000	USD 1,500,000	N/A	100%	100%	100%	Sale of tea leaves, tea snacks and tea ware
Jilin Province Tian Fu Tea Sales Co., Ltd. (“Jilin Tenfu”)	PRC, 12 June 2009	Foreign investment enterprise	USD 2,250,000	USD 2,250,000	N/A	100%	100%	100%	Sale of tea leaves, tea snacks and tea ware
Nanjing Tian Fu Tea Sales Co., Ltd. (“Nanjing Tenfu”)	PRC, 22 June 2009	Foreign investment enterprise	USD 2,600,000	USD 2,600,000	N/A	100%	100%	100%	Sale of tea leaves, tea snacks and tea ware
Guangxi Tenfu Tea Sales Co., Ltd. (“Guangxi Tenfu”)	PRC, 26 June 2009	Foreign investment enterprise	USD 300,000	USD 300,000	N/A	100%	100%	100%	Sale of tea leaves, tea snacks and tea ware
Hebei Tenfu Tea Sales Co., Ltd. (“Hebei Tenfu”)	PRC, 9 June 2009	Foreign investment enterprise	USD 500,000	USD 500,000	N/A	100%	100%	100%	Sale of tea leaves, tea snacks and tea ware
Hu Bei Tian Fu Tea Sales Co., Ltd. (“Hubei Tenfu”)	PRC, 10 July 2009	Foreign investment enterprise	USD 500,000	USD 500,000	N/A	100%	100%	100%	Sale of tea leaves, tea snacks and tea ware
Hunan Tenfu Tea Sales Co., Ltd. (“Hunan Tenfu”)	PRC, 26 August 2009	Foreign investment enterprise	USD 500,000	USD 500,000	N/A	100%	100%	100%	Sale of tea leaves, tea snacks and tea ware
Fujian Tian Fu Sales Co., Ltd. (“Fujian Tenfu Sales”)	PRC, 4 July 2008	Foreign investment enterprise	USD 8,000,000	USD 8,000,000	100%	100%	100%	100%	Sale of tea leaves, tea snacks and tea ware
An Hui Tian Fu Tea Sales Co., Ltd. (“Anhui Tenfu”)	PRC, 10 September 2009	Foreign investment enterprise	USD 300,000	USD 300,000	N/A	100%	100%	100%	Sale of tea leaves, tea snacks and tea ware
Jinan Tenfu	PRC, 8 June 1999	Foreign investment enterprise	USD 1,000,000	USD 1,000,000	–	100%	100%	100%	Sale of tea leaves, tea snacks and tea ware
Yantai Tenfu	PRC, 27 August 1996	Foreign investment enterprise	USD 1,000,000	USD 1,000,000	–	100%	100%	100%	Sale of tea leaves, tea snacks and tea ware
Tianjin Tenfu	PRC, 25 March 2009	Foreign investment enterprise	USD 500,000	USD 500,000	N/A	100%	100%	100%	Sale of tea leaves, tea snacks and tea ware
Beijing Tenfu	PRC, 25 January 2002	Foreign investment enterprise	USD 1,050,000	USD 1,050,000	–	–	100%	100%	Sale of tea leaves, tea snacks and tea ware
Suzhou Tenfu Tea Co., Ltd. (“Suzhou Tenfu”)	PRC, 9 August 2010	Foreign investment enterprise	USD 1,000,000	USD 1,000,000	N/A	N/A	100%	100%	Sale of tea leaves, tea snacks and tea ware

Company name	Date of incorporation	Legal status	Registered capital	Issued and fully paid share capital	Effective interest held as at				Principal activities
					31 December		31 March		
					2008	2009	2010	2011	
Subsidiaries – established in the PRC									
Wuxi Tenfu Tea Co., Ltd. (“Wuxi Tenfu”)	PRC, 18 October 2010	Foreign investment enterprise	USD 1,000,000	USD 1,000,000	N/A	N/A	100%	100%	Sale of tea leaves, tea snacks and tea ware
Hangzhou Tenfu Tea Co., Ltd. (“Hangzhou Tenfu”)	PRC, 27 October 2010	Foreign investment enterprise	USD 500,000	USD 500,000	N/A	N/A	100%	100%	Sale of tea leaves, tea snacks and tea ware
Shanghai Tenfu Tea Co., Ltd. (“Shanghai Tenfu”)	PRC, 22 November 2010	Foreign investment enterprise	USD 2,000,000	USD 400,000	N/A	N/A	100%	100%	Sale of tea leaves, tea snacks and tea ware
Inner Mongolia Tenfu Tea Co., Ltd. (“Neimeng Tenfu”)	PRC, 10 January 2011	Foreign investment enterprise	USD 500,000	USD 500,000	N/A	N/A	N/A	100%	Sale of tea leaves, tea snacks and tea ware
Xiamen Apex Trading Co., Ltd. (“Xiamen Apex”)	PRC, 29 May 2006	Foreign investment enterprise	USD 2,000,000	USD 2,000,000	–	–	–	100%	Sale of tea leaves and tea snacks
Subsidiaries – incorporated in the Hong Kong									
Ten Rui HK	Hong Kong, 7 March 2008	Investment enterprise	USD 1,000,000	USD 1,000,000	100%	100%	100%	100%	Investment holding
Tenfu HK	Hong Kong, 17 August 2009	Investment enterprise	USD 1,000	USD 1,000	N/A	100%	100%	100%	Investment holding
Subsidiaries – incorporated in the British Virgin Islands									
Ten Rui BVI	British Virgin Islands (the “BVI”), 19 August 2009	Investment enterprise	USD 1,000	USD 1,000	–	100%	100%	100%	Investment holding
Tenfu BVI	BVI, 2 July 2009	Investment enterprise	USD 1,000	USD 1,000	–	100%	100%	100%	Investment holding

The companies that have statutory audited financial statements during the Relevant Periods and the name of the auditors are as follows:

Company name	Name of statutory auditors		
	2008	2009	2010
Subsidiaries – established in the PRC			
Zhangzhou Tenfu	Zhangzhou Dexin Certified Public Accountants Co., Ltd.	Fujian Huacheng Certified Public Accountants Co., Ltd.	Fujian Huacheng Certified Public Accountants Co., Ltd.
Zhangpu Tenfu	Zhangzhou Xinyuan Certified Public Accountants Co., Ltd. (“Zhangzhou Xinyuan CPA”)	Zhangzhou Xinyuan CPA	Zhangzhou Xinyuan CPA
Minhou Tianyuan	Fujian Li Xin Mindu Certified Public Accountants Co., Ltd. (“Li Xin Mindu CPA”)	Li Xin Mindu CPA	Fujian Toptry Certified Public Accountant Co., Ltd
Jiajiang Tenfu	Sichuan Dajia Certified Public Accountants Co., Ltd.	Sichuan Dajia Certified Public Accountants Co., Ltd.	Sichuan Dezheng Certified Public Accountants Co., Ltd
Sichuan Tenfu	Not applicable	Sichuan Youngkeen&Huaruifeng Certified Public Accountants Co., Ltd.	Sichuan Dezheng Certified Public Accountants Co., Ltd
Guizhou Tenfu	Not applicable	Guizhou Tianhong Certified Public Accountants Co., Ltd.	Guizhou Zhihe Certified Public Accountants Co., Ltd.
Xinjiang Tenfu	Not applicable	Xinjiang Huiheng Certified Public Accountants Co., Ltd.	Urumqi Haitian Certified Public Accountants Co., Ltd
Shanxi Tenfu	Not applicable	Shanxi Xingcheng Legal and Certified Public Accountants Co., Ltd.	Shanxi Huayu Certified Public Accountants Co., Ltd.
Fuzhou Tenfu	Not applicable	Fujian Guolong Certified Public Accountants Limited	Fujian Huayong Ltd of Accounting Firm
Jiangxi Tenfu	Not applicable	Jiangxi Zhitong Accountant Affair Office Co., Ltd.	Jiangxi Zhitong Accountant Affair Office Co., Ltd.
Shaanxi Tenfu	Not applicable	Shaanxi Guoxin Certified Public Accountants Co., Ltd.	Shaanxi Guoxin Certified Public Accountants Co., Ltd.
Guangdong Tenfu	Not applicable	Guangzhou Chengtai Certified Public Accountants Co., Ltd.	Guangxing Certified Public Accountants Co., Ltd.

Company name	Name of statutory auditors		
	2008	2009	2010
Subsidiaries – established in the PRC			
Jilin Tenfu	Not applicable	Ji Lin Zhong Ze Certified Public Accountants Co., Ltd.	Ji Lin Zhong Ze Certified Public Accountants Co., Ltd.
Nanjing Tenfu	Not applicable	Nanjing You Cheng Lian He Certified Public Accountants Co., Ltd.	Jiangsu Tin Certified Public Accountants Co., Ltd.
Guangxi Tenfu	Not applicable	Guangxi Nanning Qiushi United Certified Public Accountants Co., Ltd.	Guangxi Nanning Qiushi United Certified Public Accountants Co., Ltd.
Hebei Tenfu	Not applicable	Hebei Peking Certified Public Accountants Co., Ltd.	Hebei Zhongqinwanxin Certified Public Accountants Co., Ltd.
Hunan Tenfu	Not applicable	Hunan Zheng-De Certified Public Accountants Co., Ltd.	Hunan Zheng-De Certified Public Accountants Co., Ltd.
Fujian Tenfu Sales	Xiamen Zhongwei Associated Certified Public Accountants Co., Ltd.	Xiamen Yehua CPA	Xiamen Yehua CPA
Anhui Tenfu	Not applicable	Anhui Huajian Certified Public Accountants Co., Ltd.	Anhui Yitongyuan Certified Public Accountants Office
Jinan Tenfu	Not applicable	Shandong Tianyuan Tongtai Certified Public Accountants Co., Ltd.	Shandong Yongxin Certified Public Accountants Firm
Yantai Tenfu	Not applicable	Yantai Tianluxin Certified Public Accountants Firm	Yantai Tianluxin Certified Public Accountants Firm
Tianjin Tenfu	Not applicable	Tianjin Fengcheng Certified Public Accountants Co., Ltd.	Tianjin Fengcheng Certified Public Accountants Co., Ltd.
Beijing Tenfu	Not applicable	Not applicable	Beijing Institute of Certified Public Accountants
Suzhou Tenfu	Not applicable	Not applicable	Suzhou Joining Certified Public Accountants Co., Ltd.
Wuxi Tenfu	Not applicable	Not applicable	Not applicable
Hangzhou Tenfu	Not applicable	Not applicable	Not applicable
Shanghai Tenfu	Not applicable	Not applicable	Not applicable
Neimeng Tenfu	Not applicable	Not applicable	Not applicable
Xiamen Apex	Not applicable	Not applicable	Not applicable
Subsidiaries – incorporated in Hong Kong			
Ten Rui HK	Horace Ho & Company	PricewaterhouseCoopers	PricewaterhouseCoopers
Tenfu HK	Not applicable	Not applicable	PricewaterhouseCoopers

Except for the above companies, no audited statutory financial statements were prepared for other subsidiaries as they were either not required to issue audited financial statements under the local statutory requirements or were newly established that their first statutory audits are not yet to come.

The English names of the PRC companies and statutory auditors referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

31 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to net cash generated from operations

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax	142,694	193,233	313,707	62,404	128,828
Adjustments for:					
– Share of profit of a jointly controlled entity (<i>Note 10</i>)	(1,192)	(916)	(1,246)	(292)	(317)
– Depreciation of property, plant and equipment (<i>Notes 8</i>)	16,851	20,339	31,186	5,813	9,723
– Depreciation of investment properties (<i>Notes 7</i>)	1,238	997	293	119	68
– Amortisation of land use rights (<i>Notes 6</i>)	328	345	397	166	138
– Amortisation of intangible assets (<i>Notes 9</i>)	213	331	477	112	207
– (Gains)/losses on disposal of investment properties and property, plant and equipment (<i>Note 21</i>)	2,048	(1,344)	1,110	(1)	120
– Provision for/(reversal of) impairment of receivables (<i>Note 11</i>)	260	249	(641)	–	–
– Finance income (<i>Note 26</i>)	(209)	(442)	(1,045)	(161)	(327)
– Finance costs (<i>Note 26</i>)	9,327	9,417	9,890	2,848	5,102
– Gains from business combinations based on acquisition method (<i>Note 34</i>)	–	(575)	(1,188)	(1,188)	(1,048)
Changes in working capital:					
– Inventories	(71,409)	(32,552)	(72,440)	8,884	42,909
– Trade and other receivables and prepayments	(65,313)	(68,836)	(158,419)	(79,803)	114,012
– Trade and other payables	3,556	46,326	39,580	87,505	(33,873)
Cash generated from operations	<u>38,392</u>	<u>166,572</u>	<u>161,661</u>	<u>86,406</u>	<u>265,542</u>

(b) Proceeds from sale of investment properties and property, plant and equipment

In the consolidated statements of cash flow, proceeds from sale of investment properties and property, plant and equipment comprise:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Net book amount					
– Investment properties (Note 7)	–	17,166	–	–	–
– Property, plant and equipment (Note 8)	3,528	4,245	11,410	231	265
	3,528	21,411	11,410	231	265
Gains/(losses) on disposal of investment properties and property, plant and equipment (Note 21)	(2,048)	1,344	(1,110)	1	(120)
Increase/(deduction) of trade and other receivables/payables	(581)	(759)	(6,612)	–	–
Proceeds from disposal of investment properties and property, plant and equipment	899	21,996	3,688	232	145

32 CONTINGENCIES

As at 31 December 2009, Zhangzhou Tenfu, a subsidiary of the Group, provided guarantee to a related party, Anxi Tianfu Tea Industry Co., Ltd. (“Anxi Tenfu”) in connection with Anxi Tenfu’s short-term borrowing, amounting to RMB15,000,000. The short-term borrowing was repaid by Anxi Tenfu in May 2010 (Note 35).

33 COMMITMENTS**(a) Capital commitments**

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Land use rights	7,929	7,929	–	–
Property, plant and equipment	–	3,128	–	15,530
	7,929	11,057	–	15,530

(b) Operating lease commitments

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
No later than 1 year	7,630	39,351	73,734	82,855
Later than 1 year and no later than 5 years	19,096	79,464	136,687	139,792
Later than 5 years.	15,689	17,600	30,025	34,102
	<u>42,415</u>	<u>136,415</u>	<u>240,446</u>	<u>256,749</u>

34 BUSINESS COMBINATIONS**(a) Acquisition of Jinan Tenfu, Yantai Tenfu, Tianjin Tenfu and Beijing Tenfu**

- (i) During the year ended 31 December 2009, the Group has acquired 100% equity interests of Jinan Tenfu, Yantai Tenfu and Tianjin Tenfu from certain third party individuals. The equity transfer has been completed by 4 September 2009, 16 December 2009 and 22 December 2009 respectively. The fair value of the net assets at the above acquisition dates is higher than the considerations paid, hence a total gain of RMB575,000 is recognized from the bargain purchase. The acquired businesses totally contributed revenues of RMB1,123,000 and net profit of RMB121,000 to the Group during the period from acquisition dates to 31 December 2009.

Details of net assets acquired as at the acquisition dates and the gains arising from the acquisitions are as follows:

Purchase consideration:

	Jinan Tenfu	Yantai Tenfu	Tianjin Tenfu	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Purchase consideration	<u>693</u>	<u>341</u>	<u>365</u>	<u>1,399</u>

The assets and liabilities as at the acquisition dates are as follows:

	Fair value			
	Jinan Tenfu	Yantai Tenfu	Tianjin Tenfu	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents	60	–	293	353
Property, plant and equipment (<i>Note 8</i>)	142	355	65	562
Intangible assets (<i>Note 9</i>).	18	–	–	18
Inventories	408	2,343	1,707	4,458
Trade and other receivables	429	68	676	1,173
Trade and other payables.	(332)	(2,334)	(1,924)	(4,590)
	<u>725</u>	<u>432</u>	<u>817</u>	<u>1,974</u>
Gains from acquisition (<i>Note 21</i>)	(32)	(91)	(452)	(575)
Total purchase consideration	<u>693</u>	<u>341</u>	<u>365</u>	<u>1,399</u>
	Acquiree's carrying amount			
	Jinan Tenfu	Yantai Tenfu	Tianjin Tenfu	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents	60	–	293	353
Property, plant and equipment.	142	355	65	562
Intangible assets.	18	–	–	18
Inventories	408	2,343	1,707	4,458
Trade and other receivables	429	68	676	1,173
Trade and other payables.	(332)	(2,334)	(1,924)	(4,590)
	<u>725</u>	<u>432</u>	<u>817</u>	<u>1,974</u>
Purchase consideration settled in cash	693	341	365	1,399
Cash and cash equivalents in subsidiaries acquired	(60)	–	(293)	(353)
Cash outflow on acquisition	<u>633</u>	<u>341</u>	<u>72</u>	<u>1,046</u>

- (ii) During the year ended 31 December 2010, the Group has acquired 100% equity interest of Beijing Tenfu from third party individuals. The equity transfer has been completed by 3 February 2010. The fair value of the net assets at the above acquisition date is higher than the consideration paid, hence a gain of RMB1,188,000 is recognized from the bargain purchase. The acquired business contributed revenues of RMB105,736,000 and net profit of RMB2,005,000 to the Group during the period from acquisition date to 31 December 2010.

	Beijing Tenfu
	<i>RMB'000</i>
Purchase consideration	3,898

Details of the net assets acquired as of 3 February 2010 and the gain arising from the acquisition are as follows:

	Fair value	Acquiree's
	<i>RMB'000</i>	carrying amount
	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents	3,202	3,202
Property, plant and equipment (<i>Note 8</i>)	7,205	7,205
Intangible assets (<i>Note 9</i>)	23	23
Inventories	15,631	15,631
Trade and other receivables	5,821	5,821
Trade and other payables.	(26,796)	(26,796)
	<u>5,086</u>	<u>5,086</u>
Gain from acquisition (<i>Note 21</i>)	(1,188)	
Total purchase consideration.	<u>3,898</u>	
Purchase consideration settled in cash		3,898
Cash and cash equivalents in subsidiary acquired		<u>(3,202)</u>
Cash outflow on acquisition.		<u>696</u>

(b) Acquisition of Xiamen Apex

Pursuant to the equity transfer agreement entered into between Ten Rui HK and Ming-Feng (Singapore) Holdings Pte. Ltd. ("Ming-Feng"), dated 10 November 2010, Ming-Feng transferred its entire equity interests in Xiamen Apex to Ten Rui HK at a consideration benchmark against the fair value of the identifiable net assets of Xiamen Apex at the acquisition date. The transaction was completed on 10 January 2011. The fair value of the net assets at the above acquisition date is higher than the consideration paid, hence a gain of RMB1,048,000 is recognized from the bargain purchase. The acquired business contributed revenues of RMB24,942,000 and net profit of RMB2,000 to the Group during the period from acquisition date to 31 March 2011.

	Xiamen Apex
	<i>RMB'000</i>
Purchase consideration	16,343

Details of the net assets acquired as of 10 January 2011 and the gain arising from the acquisition are as follows:

	Fair value	Acquiree's carrying amount
	RMB'000	RMB'000
Cash and cash equivalents	8,041	8,041
Property, plant and equipment	707	707
Inventories	10,946	10,946
Trade and other receivables	2,740	2,740
Trade and other payables	(5,043)	(5,043)
	<u>17,391</u>	<u>17,391</u>
Gain from acquisition	<u>(1,048)</u>	
Total purchase consideration	<u>16,343</u>	
Purchase consideration settled in cash		16,343
Cash and cash equivalents in subsidiary acquired		<u>(8,041)</u>
Cash outflow on acquisition		<u>8,302</u>

(c) **Acquisition of other retail businesses**

During the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, the Group also acquired certain retail outlets. The fair value of the net assets at the acquisition dates equalled the consideration, hence there is no goodwill or gain recognised.

The aggregated assets acquired as of the acquisition dates arising from these acquisitions are as follows:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment (Note 8)	346	1,137	5,861	763	232
Inventories	381	5,291	20,165	8,380	–
	<u>727</u>	<u>6,428</u>	<u>26,026</u>	<u>9,143</u>	<u>232</u>

35 RELATED-PARTY TRANSACTIONS

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011, and balances arising from related party transactions as at 31 December 2008, 2009 and 2010 and 31 March 2011.

(a) Name and relationship with related parties

Company name	Relationships
Mr. Lee Rie-Ho (<i>i</i>)	Equity holder of the Company
Mr. Tsai Shan Jen (<i>iii</i>)	Equity holder of the Company
Mr. Lee Shih-Wei (<i>i</i>)	Equity holder of the Company, nephew of Mr. Lee Rie-Ho
Mr. Lee Chia Ling (<i>i</i>)	Equity holder of the Company, son of Mr. Lee Rie-Ho
Mr. Lee Kuo-Lin	Son of Mr. Lee Rie-Ho
Mr. Lee Hsien-Mo	Brother of Mr. Lee Rie-Ho
Ms. Chen Xiu Duan	Spouse of Mr. Lee Kuo-Lin
Ms. Zhou Nan Nan	Spouse of Mr. Lee Chia Ling
Mr. Lee Min-Zun	Key management
Mr. Tseng Ming-Sung	Key management
Discerning Group Limited (<i>ii</i>)	100% held by Mr. Lee Rie-Ho
Trackson Investments Limited (<i>ii</i>)	100% held by Mr. Lee Chia Ling
Tenfu Group (SAMOA) Holdings Co., Ltd. ("SAMOA")	Controlled by equity holders of the Company
Ming-Feng	Controlled by equity holders of the Company
Ten Ren U.S.A	Nominee of the equity holders with respect to PRC Tea Subsidiaries
Anxi Tenfu	Subsidiary of SAMOA
Huaan Tianfu Tea Industry Co., Ltd. ("Huaan Tenfu")	Subsidiary of SAMOA
Kun Ming Tianfu Tea Industry Co., Ltd. ("Kunming Tenfu")	Subsidiary of SAMOA
Zhejiang Tianfu Tea Industry Co., Ltd. ("Zhejiang Tenfu")	Subsidiary of SAMOA
XiaMen Tenfu Tea Industry Co., Ltd. ("Xiamen Tenfu Tea Industry")	Subsidiary of SAMOA
Uncle Lee's Tea Inc. ("Uncle Lee's Tea")	Subsidiary of SAMOA
Xiamen Apex (<i>iv</i>)	Subsidiary of Ming-Feng
Fujian Petrol	Jointly controlled entity
Luyu Tea Artcraft Co., Ltd. ("Taiwan Luyu")	Controlled by equity holders of the Company
Ten Ren Tea Co., Ltd. ("Ten Ren Tea")	Controlled by equity holders of the Company
Xiamen Tenfu Tenmax Trade Co., Ltd. ("Tenmax")	Controlled by key management of the Group
Xiamen Tianyu Trade Co., Ltd. ("Tianyu Trade")	Controlled by equity holders of the Company

- (i) Mr. Lee Rie-Ho, Mr. Lee Shih-Wei and Mr. Lee Chia Ling form the Persons Acting in Concert.
- (ii) On 23 December 2010, Mr. Lee Rie-Ho transferred all 18,876,000 of his shares in the Company to Discerning Group Limited for nil consideration, and Mr. Lee Chia Ling transferred all 37,752,000 of his shares in the Company to Trackson Investments Limited for nil consideration. Discerning Group Limited is wholly-owned by Mr. Lee Rie-Ho and Trackson Investments Limited is wholly-owned by Mr. Lee Chia Ling. Therefore, both Discerning Group Limited and Trackson Investments Limited became related parties of the Group.
- (iii) On 23 December 2010, Mr. Tsai Shan Jen transferred an aggregate of 30,387,918 shares of the Company to the New Investors. After the transfer, Mr. Tsai Shan Jen held 6.3% equity interest in the Group. Therefore, Mr. Tsai Shan Jen ceased to be the related party of the Group.
- (iv) On 10 January 2011, pursuant to the equity transfer agreement entered into between Ten Rui HK and Ming-Feng, Ming-Feng transferred its entire equity interests in Xiamen Apex to Ten Rui HK. Therefore, Xiamen Apex ceased to be the related party of the Group.

(b) Transactions with related parties

Continuing transactions

(i) Sales of goods and services

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Tenmax	–	–	2,977	222	946
Ten Ren Tea	2,167	2,624	2,636	–	431
TianYu Trade	–	–	1,362	154	500
Ten Ren U.S.A	–	–	615	–	–
	<u>2,167</u>	<u>2,624</u>	<u>7,590</u>	<u>376</u>	<u>1,877</u>

(ii) Purchases of goods and services

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Anxi Tenfu	26,289	53,368	57,842	1,083	14,512
Ten Ren Tea	6,136	7,125	17,396	3,802	9,490
Huaan Tenfu	5,891	20,215	15,819	793	1,651
Taiwan Luyu	1,431	2,530	14,606	1,672	3,727
Kunming Tenfu	–	–	10,209	6	4,995
	<u>39,747</u>	<u>83,238</u>	<u>115,872</u>	<u>7,356</u>	<u>34,375</u>

(iii) Rental expenses

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Mr. Lee Chia Ling	–	632	1,025	265	300
Xiamen Tenfu Tea Industry	–	–	800	–	200
Mr. Lee Min-Zun	–	160	630	90	210
Mr. Lee Kuo-Lin	–	280	420	–	210
Mr. Lee Shih-Wei	–	–	210	53	53
Ms. Chen Xiu Duan	–	–	180	15	45
Ms. Zhou Nan Nan	–	–	116	–	87
	<u>–</u>	<u>1,072</u>	<u>3,381</u>	<u>423</u>	<u>1,105</u>

(iv) Key management compensation

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries	705	1,065	11,241	221	501
Other short-term employee benefits	—	—	—	—	—
	<u>705</u>	<u>1,065</u>	<u>11,241</u>	<u>221</u>	<u>501</u>

(v) Dividend declared to the equity holders of the Company

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Lee Rie-Ho	—	—	61,448	—	—
Mr. Lee Chia Ling	—	—	119,822	—	—
Mr. Lee Shih-Wei	—	—	1,536	—	—
Mr. Tseng Ming-Sung	—	—	1,536	—	—
Mr. Tsai Shan Jen	—	—	122,896	—	—
	<u>—</u>	<u>—</u>	<u>307,238</u>	<u>—</u>	<u>—</u>

(vi) Dividend received from a jointly controlled entity

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fujian Petrol	—	2,194	756	756	1,034

*Non-continuing transactions**(i) Sales of goods and services*

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Xiamen Apex	13,749	13,966	14,196	3,878	–
Anxi Tenfu	4,996	17,277	14,643	8,602	11,182
Uncle Lee's Tea	3,337	2,763	4,112	918	780
Huaan Tenfu	–	–	185	53	61
	<u>22,082</u>	<u>34,006</u>	<u>33,136</u>	<u>13,451</u>	<u>12,023</u>

(ii) Sales of property, plant and equipment

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Huaan Tenfu	–	173	–	–	–
	<u>–</u>	<u>173</u>	<u>–</u>	<u>–</u>	<u>–</u>

(iii) Sales of investment properties

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Mr. Lee Min-Zun.	–	6,000	–	–	–
	<u>–</u>	<u>6,000</u>	<u>–</u>	<u>–</u>	<u>–</u>

(c) Balances with related parties

(i) Due from related parties (Note 11):

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Trade related				
– Xiamen Apex	632	2,739	3,388	–
– Uncle Lee's Tea	924	741	881	–
– Tenmax	–	–	697	697
– Ten Ren Tea	–	511	514	–
– Tianyu Trade	–	–	392	443
	<u>1,556</u>	<u>3,991</u>	<u>5,872</u>	<u>1,140</u>
Non-trade related				
– Mr. Lee Kuo-Lin	–	20,422	–	–
– Ms. Zhou Nan Nan	–	10,000	–	–
– Mr. Lee Hsien-Mo	–	3,500	–	–
– Anxi Tenfu	–	787	–	–
– Kunming Tenfu	4,265	–	–	–
	<u>4,265</u>	<u>34,709</u>	<u>–</u>	<u>–</u>
	<u>5,821</u>	<u>38,700</u>	<u>5,872</u>	<u>1,140</u>

(ii) Prepayment to a related party:

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Trade related				
– Anxi Tenfu	–	–	–	23,863
	<u>–</u>	<u>–</u>	<u>–</u>	<u>23,863</u>

(iii) Due to related parties (Note 17):

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Trade related				
– Anxi Tenfu	928	14,157	9,835	1,300
– Ten Ren Tea	1,321	–	3,777	–
– Ten Ren U.S.A	3,114	3,114	3,114	3,114
– Kunming Tenfu	–	–	2,838	48
– Huaan Tenfu	–	2,660	1,528	1,774
– Taiwan Luyu	–	866	467	1,024
	<u>5,363</u>	<u>20,797</u>	<u>21,559</u>	<u>7,260</u>
Non-trade related				
– Mr. Lee Chia Ling	69,523	74,488	82,210	36,486
– Mr. Lee Kuo-Lin	842	–	1,713	1,419
– Mr. Lee Hsien-Mo	6,500	–	–	–
– Mr. Lee Min-Zun	3,000	–	–	–
– Zhejiang Tenfu	1,800	–	–	–
	<u>81,665</u>	<u>74,488</u>	<u>83,923</u>	<u>37,905</u>
	<u>87,028</u>	<u>95,285</u>	<u>105,482</u>	<u>45,165</u>

(iv) Dividend payable:

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Discerning Group				
Limited	–	–	31,550	17,686
Trackson Investments				
Limited	–	–	61,522	34,487
Mr. Lee Shih-Wei	–	–	789	442
Mr. Tseng Ming-Sung	–	–	789	442
Mr. Tsai Shan Jen	–	–	63,099	35,371
	<u>–</u>	<u>–</u>	<u>157,749</u>	<u>88,428</u>

The receivables from related parties arise mainly from sale transactions and lendings. The receivables are unsecured and bear no interest. There are no provisions made against receivables from related parties.

The payables to related parties arise mainly from purchase transactions and borrowings. The payables bear no interest and are repayable on demand.

(d) **Borrowings secured by a related party**

Bank borrowings of RMB10,000,000, RMB70,000,000, RMB70,000,000 and RMB70,000,000 are guaranteed by Mr. Lee Kuo-Lin as at 31 December 2008, 2009, 2010 and 31 March 2011 respectively (Note 18).

Bank borrowings of RMB19,868,100 and RMB21,308,000 are guaranteed by Mr. Lee Rie-Ho, Mr. Lee Shih-Wei and Mr. Lee Chia Ling as at 31 December 2010 and 31 March 2011 respectively (Note 18).

(e) **Guarantee provided to a related party**

As at 31 December 2009, Zhangzhou Tenfu, a subsidiary of the Group, provided guarantee to a related party, Anxi Tenfu in connection with Anxi Tenfu's short-term borrowing, amounting to RMB15,000,000. The short-term borrowing was repaid by Anxi Tenfu in May 2010.

36 SUBSEQUENT EVENTS

Save as disclosed in Note 14, Note 17, Note 18, Note 25 and Note 29 of this report, there are no other material subsequent events undertaken by the Company or by the Group after 31 March 2011.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to 31 March 2011 and save as disclosed in this report, no dividend or distribution has been declared, made or paid by the Company in respect of any period subsequent to 31 March 2011.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The information set out in this Appendix II does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had been taken place on 31 March 2011 and based on the audited consolidated net tangible assets attributable to equity holders of our Company as of 31 March 2011 as shown in the Accountant's Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

The unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of 31 March 2011 or at any future date.

	Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 March 2011 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company as at 31 March 2011	Unaudited pro forma adjusted net tangible assets per Share	
	RMB'000	RMB'000	RMB'000	RMB ⁽³⁾	HK\$ ⁽⁶⁾
Based on an Offer Price of HK\$4.80 per Share	755,311	751,629	1,506,940	1.23	1.50
Based on an Offer Price of HK\$6.80 per Share	755,311	1,081,509	1,836,820	1.50	1.83

Notes:

- (1) The audited consolidated net tangible assets attributable to the equity holders of the Company as of 31 March 2011 is extracted from the section entitled "Appendix I – Accountant's Report" in this prospectus, which is based on the audited consolidated net assets of the Group attributable to the equity holders of the Company as of 31 March 2011 of RMB758.2 million with an adjustment for the intangible assets of RMB2.9 million.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$4.80 to HK\$6.80 per Share, being the lower end to higher end of the stated offer price range, after deduction of the underwriting fees and other related expenses payable by our Company and takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of the options granted or to be granted under the Share Option Scheme or any shares which may be allotted and issued or repurchased by the Company pursuant to a general mandate.

- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis of 1,227,207,460 Shares are in issue assuming that the Global Offering and the Capitalisation Issue have been completed on 31 March 2011, but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of the options granted or to be granted under the Share Option Scheme or any shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate.
- (4) By comparing the valuation of our Group's property interests of RMB264.7 million as set out in Appendix IV to this Prospectus and the unaudited net book value of these properties as of 31 July 2011, the net revaluation surplus is approximately RMB48.5 million, which has not been included in the above net tangible assets attributable to equity holders of our Company as of 31 March 2011. The revaluation of the Group's property interests will not be incorporated in the Group's financial information. If the revaluation surplus is to be included in the Group's financial information, an additional depreciation charge of approximately RMB2.4 million per annum related to buildings, investment properties and leasehold land and land use rights would be recorded.
- (5) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 31 March 2011.
- (6) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi are converted into Hong Kong dollars at a rate of HK\$1.00 to RMB0.8193. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following is an illustrative and unaudited pro forma forecast earnings per Share of our Company which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2011. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Group for the year ending 31 December 2011 or any future period.

Forecast consolidated profit attributable to equity holders

of the Company for the year ending 31 December 2011⁽¹⁾ . . . Not less than RMB290.8 million
(approximately HK\$354.9 million)

Unaudited pro forma forecast earnings

per Share⁽²⁾ Not less than RMB0.24
(approximately HK\$0.29)

Notes:

- (1) The forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2011 is extracted from the section entitled "Financial Information – Profit Forecast For The Year Ending 31 December 2011" in this prospectus. The bases and assumptions on which the above profit forecast has been prepared are summarized in the section entitled "Appendix III – Profit Forecast" in this prospectus. The Directors have prepared the forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2011 based on our audited consolidated result for the three months ended 31 March 2011, the unaudited management accounts for the four months ended 31 July 2011 and the forecast of the consolidated results for the remaining five months ending 31 December 2011. The profit forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in Note 2 of Section II of the section entitled "Appendix I – Accountant's Report" in this prospectus.
- (2) The unaudited pro forma forecast earnings per Share is calculated by dividing the forecast consolidated profit attributable to the equity holders of the Company for the year ending 31 December 2011, assuming that the Company had been listed since 1 January 2011 and a total of 1,227,207,460 Shares to be in issue immediately upon completion of the Capitalisation Issue and the Global Offering were issued and outstanding during the entire period. The calculation takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any shares which may be issued upon exercise of the options granted under the Share Option Scheme, any shares which may be allotted and issued or repurchased by the Company pursuant to a general mandate.

C. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong for the purpose of incorporation in this prospectus.



羅兵咸永道

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF TENFU (CAYMAN) HOLDINGS COMPANY LIMITED

We report on the unaudited pro forma financial information of Tenfu (Cayman) Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages II-1 to II-2 under the headings of "Unaudited Pro Forma Statement of Adjusted Net Tangible Assets" and "Unaudited Pro Forma Forecast Earnings Per Share" (the "Unaudited Pro Forma Financial Information") in Appendix II of the Company's prospectus dated 14 September 2011 (the "Prospectus"), in connection with the proposed initial public offering of the shares of the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed initial public offering might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages II-1 to II-2 of the Prospectus.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent

examination of any of the underlying financial information, consisted primarily of comparing the audited consolidated net assets of the Group as at 31 March 2011 and unaudited forecast profit attributable to equity holders of the Company for the year ending 31 December 2011 with the accountant's report as set out in Appendix I of the Prospectus and the profit forecast as set out in the section headed "Financial Information" in the Prospectus respectively, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the adjusted net tangible assets of the Group as at 31 March 2011 or any future date, or
- the earnings per share of the Group for the year ending 31 December 2011 or any future periods.

Opinion

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 14 September 2011

The forecast of our consolidated profit attributable to equity holders of our Company for the year ending 31 December 2011 is set out in the section entitled “Financial Information – Profit Forecast For The Year Ending 31 December 2011” in this prospectus.

A. BASES AND ASSUMPTIONS

The directors have prepared the forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2011 based on our audited consolidated result for the three months ended 31 March 2011, the unaudited management accounts for the four months ended 31 July 2011 and the forecast of the consolidated results for the remaining five months ending 31 December 2011. The profit forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by us as set out in Note 2 of Section II of the Accountant’s Report, the text of which is set out in Appendix I of this prospectus, and on the following principal bases and assumptions:

- (a) there will be no material changes in the existing government policies or political, legal (including changes in legislation or regulations or rules), fiscal or economic conditions in the respective countries or industry in which our Group currently operates;
- (b) there will not be material changes in the bases or applicable rates of taxation, subcharges or other government levies in the countries or territories in which our Group operates, except as otherwise disclosed in this prospectus;
- (c) there will be no material changes in inflation or interest rates from those currently prevailing in the in the PRC and any other countries where our customers and suppliers operate during the forecast period;
- (d) there will no material changes in exchange rates during the forecast period;
- (e) there will be no material deterioration in the operating environment of the tea products industry during the forecast period, and our Group’s operations will not be materially and adversely affected by any of the risk factors set out in the section entitled “Risk Factors” in this prospectus;
- (f) our Group’s operations and business will not be severely interrupted by any force majeure events that are beyond the control of the Directors, including the outbreaks and recurrence of epidemics, natural disasters, acts of war, terrorist acts, and political unrest;
- (g) our Group will be able to recruit sufficient qualified personnel to achieve its planned expansion and that staffing level will be sufficient for the operation requirements of the Group during the forecast period, and our Group will adjust its services and staff number correspondingly to cater for the growing demand for business during the forecast period; and
- (h) the Directors and key senior management of our Group will continue to involve in the development and operation of our Group and our Group will be able to retain its key senior management and personnel during the forecast period.

B LETTER FROM THE REPORTING ACCOUNTANT ON THE PROFIT FORECAST

The following is the text of a letter received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

14 September 2011

The Directors
Tenfu (Cayman) Holdings Company Limited

Credit Suisse (Hong Kong) Limited
China International Capital Corporation Hong Kong Securities Limited
Polaris Securities (Hong Kong) Limited

Dear Sirs,

We have reviewed the calculations of and accounting policies adopted in arriving at the forecast of the consolidated profit attributable to equity holders of Tenfu (Cayman) Holdings Company Limited (the “Company”) for the year ending 31 December 2011 (the “Profit Forecast”) as set out in the subsection headed “Profit Forecast For The Year Ending 31 December 2011” in the section headed “Financial information” in the prospectus of the Company dated 14 September 2011 (the “Prospectus”).

We conducted our work in accordance with Auditing Guideline 3.341 on “Accountants’ report on profit forecasts” issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as “the Group”) for the three months ended 31 March 2011, the unaudited consolidated results of the Group based on management accounts for the four months ended 31 July 2011 and a forecast of the consolidated results of the Group for the remaining five months ending 31 December 2011 on the basis that the current Group structure had been in existence throughout the whole financial year ending 31 December 2011.

In our opinion, the Profit Forecast, so far as the calculations and accounting policies are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company as set out on page III-1 of the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies adopted by the Group as set out in Note 2 of Section II of the Financial Information section in Appendix I of the Prospectus.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

C LETTER FROM THE JOINT SPONSORS

The following is the text of a letter, prepared for inclusion in this prospectus by the Joint Sponsors in connection with the forecast of our consolidated profit attributable to equity holders of our Company for the year ending 31 December 2011.



14 September 2011

The Directors
Tenfu (Cayman) Holdings Company Limited

Dear Sirs,

We refer to the forecast of the consolidated net profit attributable to equity holders of Tenfu (Cayman) Holdings Company Limited (the “Company”) for the year ending 31 December 2011 (the “Profit Forecast”) as set out in the prospectus issued by the Company dated 14 September 2011 (the “Prospectus”).

We understand that the Profit Forecast has been prepared by the Directors of the Company based on the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the three months ended 31 March 2011, the unaudited consolidated results based on management accounts for the four months ended 31 July 2011 and a forecast of the consolidated results of the Group for the remaining five months ending 31 December 2011.

We have discussed with you the bases and assumptions made by the Directors of the Company as set out in Appendix III to the Prospectus upon which the Profit Forecast has been made. We have also considered the letter dated 14 September 2011 addressed to yourselves and ourselves from PricewaterhouseCoopers regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by PricewaterhouseCoopers, we are of the opinion that the Profit Forecast, for which you as Directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Credit Suisse (Hong Kong) Limited
Level 88, International Commerce Centre
One Austin Road West
Kowloon
Hong Kong
Hu, Zhizhi
Managing Director

Yours faithfully,
For and on behalf of
China International Capital Corporation
Hong Kong Securities Limited
29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong
George Liu
Managing Director

Yours faithfully,
For and on behalf of
Polaris Securities (Hong Kong) Limited
Rooms 1003-4, Tower 1, Admiralty Centre
18 Harcourt Road
Hong Kong
Catherine Wong
Managing Director

The following is the text of letter, summary of valuation and valuation certificates, prepared for the purpose of incorporation in this prospectus, received from Vigers Appraisal & Consulting Limited, an independent property valuer, in connection with their valuation as at 31 July 2011 of the property interests held by the Group in the People's Republic of China.

Vigers Appraisal & Consulting Limited
International Asset Appraisal Consultants

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong



14 September 2011

The Directors
Tenfu (Cayman) Holdings Company Limited
P.O. Box 2681
Cricket Square
Hutchins Drive
Grand Cayman KY1-1111
Cayman Islands

Dear Sirs,

In accordance with your instructions for us to value the property interests held by Tenfu (Cayman) Holdings Company Limited (the “Company”) and its subsidiaries (together referred to as the “Group”) in the People’s Republic of China (“the PRC”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at the 31 July 2011 (“date of valuation”) for the purpose of incorporation into the prospectus issued by the Company on the date hereof.

Our valuation is our opinion of the market value of the property interest where we would define market value as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing the property interests Nos. 1 to 6 in Group I, which are held by the Group for self-occupation in the PRC, we have adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the properties and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the properties as a whole. In the valuation of the land portion, reference has been made to the standard land price in Leshan, Zhangzhou and Fuzhou Cities and the sales evidence as available to us in the locality. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The depreciated replacement cost approach generally furnishes the most reliable indication of value for properties in the absence of a known market based on comparables sales. The approach is subject to adequate potential profitability of the business.

In valuing property interests Nos. 7 to 15 in Group I, which is held by the Group for self-occupation purpose in the PRC, we have adopted the direct comparison approach and made reference to the recent transactions for similar premises in the proximity.

In valuing the property interests Nos. 16 and 17, which are held by the Group for self-occupation in the PRC, we have adopted the depreciated replacement cost approach. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost approach generally furnishes the most reliable indication value for properties in the absence of a known market based on comparables sales. The approach is subject to adequate potential profitability of the business.

In valuing the property interest No. 18 in Group II, which is held by the Group for investment purpose in the PRC, we have adopted the direct comparison approach and made reference to the recent transactions for similar premises in the proximity. Adjustments have been made for the differences in transaction dates, building age, floor area etc. between the comparable properties and the subject property. We have also adopted the investment approach by taking into account the current rent passing of the property interest and the reversionary potential of the tenancy.

The property interests in Group III have no commercial value due to the short-term nature, prohibition against transfer, subletting or otherwise due to lack of substantial profit rent.

Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interests at the relevant government bureaus in the PRC for properties in Groups I to III located in the PRC. We have been provided with certain extracts of title documents relating to the property interests in the PRC. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interests in the PRC, we have relied on the legal opinion (the "PRC Legal Opinion") provided by the Group's PRC legal advisers, Jingtian & Gongcheng (the "PRC Legal Advisers").

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us by the Group on such matters as planning approvals or statutory notices, easements, tenure, occupancy, lettings, site and floor areas and in the identification of the properties and other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We have also been advised by the Group that no material facts had been concealed or omitted in the information provided to us and have no reason to suspect that any material information has been withheld. All documents have been used for reference only. We consider that we have been provided with sufficient information to reach an informed view.

All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore approximations only. No on-site measurement has been taken to verify the correctness of the site and floor areas of the properties.

We have inspected the exterior and, where possible, the interior of the properties, in the course of our inspection, we did not note any serious defects. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the properties are free from defect though in the course of our inspections we did not note any serious defects. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the property interests, we have fully complied with the HKIS Valuation Standards on Properties published by The Hong Kong Institute of Surveyors (HKIS), the RICS Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors (the "RICS") and the requirements set out in Chapter 5 of and Practice Note 12 of the Rule Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rates adopted in valuing the property interests in the PRC as at 31 July 2011 was HK\$1: RMB0.8219. There has been no significant fluctuation in the exchange rate for this currency against Hong Kong Dollars between that date and the date of this letter.

We enclose herewith a summary of valuation and the valuation certificates.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor (GP)
MRICS MHKIS MSc(e-com)
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty five years' experience in undertaking valuations of properties in Hong Kong and has over eighteen years' experience in valuations of properties in the PRC, Taiwan, Macau and Asian Rim. Raymond joined Vigers in 1989.

Contributing valuer:

Lawrence Chan Ka Wah *Associate Director* BSc(Real Estate) MRICS MHKIS

SUMMARY OF VALUATION

<u>Property</u>	<u>Market Value in existing state as at 31 July 2011</u>	<u>Interest attributable to the Group</u>	<u>Market Value in existing state attributable to the Group as at 31 July 2011</u>
Group I – Property interests held by the Group for self-occupation purpose in the PRC			
1. The land and buildings located at Tuanjie Village, Qingzhou County, Jiayang Prefecture, Leshan City, Sichuan Province, the PRC	RMB41,640,000 (equivalent to approximately HK\$50,660,000)	100%	RMB41,640,000 (equivalent to approximately HK\$50,660,000)
2. The lands and buildings located at Pantuo Village and Guanpo Village, Pantuo Town, Zhangpu Prefecture, Zhangzhou City, Fujian Province, the PRC	RMB24,750,000 (equivalent to approximately HK\$30,110,000)	100%	RMB24,750,000 (equivalent to approximately HK\$30,110,000)
3. The lands and buildings of Tea Museum located at Pantuo Village and Guanpo Village, Pantuo Town, Zhangpu Prefecture, Zhangzhou City, Fujian Province, the PRC	RMB6,600,000 (equivalent to approximately HK\$8,030,000)	100%	RMB6,600,000 (equivalent to approximately HK\$8,030,000)

<u>Property</u>	<u>Market Value in existing state as at 31 July 2011</u>	<u>Interest attributable to the Group</u>	<u>Market Value in existing state attributable to the Group as at 31 July 2011</u>
4. The land and buildings located at Xiangjiaoshan, Shangdong Village, Pantuo Town, Zhangpu Prefecture, Zhangzhou City, Fujian Province, the PRC (adjacent to Property 18)	RMB61,880,000 (equivalent to approximately HK\$75,290,000)	100%	RMB61,880,000 (equivalent to approximately HK\$75,290,000)
5. The lands and buildings located at Shangjie Village and Xinfeng Village, Shangjie Town, Minhou Prefecture, Fuzhou City, Fujian Province, the PRC	No commercial value	100%	Nil
6. The lands and buildings located at Dongcuo Village of Jiuzhenzhen East and Xidong Village of Chitu County, Zhangpu Prefecture, Zhangzhou City, Fujian Province, the PRC	RMB27,470,000 (equivalent to approximately HK\$33,420,000)	100%	RMB27,470,000 (equivalent to approximately HK\$33,420,000)

<u>Property</u>	<u>Market Value in existing state as at 31 July 2011</u>	<u>Interest attributable to the Group</u>	<u>Market Value in existing state attributable to the Group as at 31 July 2011</u>
7. Unit 12A on Level 1, Yihe Building, Taiyi Yuan, Suian Town, Zhangpu Prefecture, Zhangzhou City, Fujian Province, the PRC	RMB720,000 (equivalent to approximately HK\$880,000)	100%	RMB720,000 (equivalent to approximately HK\$880,000)
8. Shops S02 and S08, Nos. 172, 174 and 176 Wangfujing Avenue, Dongcheng District, Beijing City, the PRC	RMB73,200,000 (equivalent to approximately HK\$89,060,000)	100%	RMB73,200,000 (equivalent to approximately HK\$89,060,000)
9. Unit B-136, No. 137 Huayuan Street, Hutang Town, Wujin District, Changzhou City, Jiangsu Province, the PRC	RMB13,800,000 (equivalent to approximately HK\$16,790,000)	100%	RMB13,800,000 (equivalent to approximately HK\$16,790,000)
10. A shop located at the west of Bank of Communication, Level 1, Xianyang Guomao Building, Weiyang Road Central, Qindu District, Xianyang City, Shaanxi Province, the PRC	No commercial value	100%	Nil

<u>Property</u>	<u>Market Value in existing state as at 31 July 2011</u>	<u>Interest attributable to the Group</u>	<u>Market Value in existing state attributable to the Group as at 31 July 2011</u>
11. Unit 320, Level 1, Phase I, Block 1, Shijifengjing, No. 55 Sifang Street, Yongjiang Town, Shizhong District, Leshan City, Sichuan Province, the PRC	No commercial value	100%	Nil
12. Units 145 and 226, Block 13, Jiangxin International Garden, No. 788 Honggu Middle Avenue, Honggutang New District, Nancheong City, Jiangxi Province, the PRC	RMB8,800,000 (equivalent to approximately HK\$10,710,000)	100%	RMB8,800,000 (equivalent to approximately HK\$10,710,000)
13. Unit 103, Block 1, Yidong Mingshilongcheng, the junction between the west of Bohai 9th Road and the north of Huanghe 5th Road, Bincheng District, Binzhou City, Shandong Province, the PRC	No commercial value	100%	Nil

<u>Property</u>	<u>Market Value in existing state as at 31 July 2011</u>	<u>Interest attributable to the Group</u>	<u>Market Value in existing state attributable to the Group as at 31 July 2011</u>
14. Units 124 and 125, Block 2, Guoji Garden, Mingzhu Street, Dunhua City, Yanbian Chaoxiang Korean Autonomous Prefecture, Jilin Province, the PRC	No commercial value	100%	Nil
15. Levels 25 to 27 (also known as 29th Floor to 31st Floor) and 25 carparking spaces on basement level 2, Block 3, Xinjing Centre, the junction between the west of Jiahe Road, the east of Huming Road and the north of Hubin Road South, Siming District, Xiamen City, Fujian Province, the PRC	No commercial value	100%	Nil
16. Two buildings located at the Service Area, Zhangzhao Expressway, Jiuzhen Town, Zhangpu Prefecture, Zhangzhou City, Fujian Province, the PRC	No commercial value	100%	Nil

<u>Property</u>	<u>Market Value in existing state as at 31 July 2011</u>	<u>Interest attributable to the Group</u>	<u>Market Value in existing state attributable to the Group as at 31 July 2011</u>
17. 12 buildings located at Service Area of Chengle Expressway, Tuanjie Village, Qingzhou County, Jiajiang Prefecture, Leshan City, Sichuan Province, the PRC	No commercial value	100%	Nil
Sub-total	RMB258,860,000 (equivalent to approximately HK\$314,950,000)		RMB258,860,000 (equivalent to approximately HK\$314,950,000)

<u>Property</u>	<u>Market Value in existing state as at 31 July 2011</u>	<u>Interest attributable to the Group</u>	<u>Market Value in existing state attributable to the Group as at 31 July 2011</u>
Group II – Property interest held by the Group for investment purpose in the PRC			
18. The land and buildings located at Xiangjiaoshan, Shangdong Village, Pantuo Town, Zhangpu Prefecture, Zhangzhou City, Fujian Province, the PRC (Adjacent to Property 4)	RMB5,870,000 (equivalent to approximately HK\$7,140,000)	100%	RMB5,870,000 (equivalent to approximately HK\$7,140,000)
Group III – Property interests leased by the Group in the PRC			
19. The land and buildings located at East and West rest areas of Jiajiang Service Zone, Chengle Expressway, Qingzhou County, Jiajiang Prefecture, Leshan City, Sichuan Province, the PRC	No commercial value	100%	Nil
20. A parcel of land located at the Service Area of Chengle Expressway, Tuanjie Village, Qingzhou County, Jiajiang Prefecture, Leshan City, Sichuan Province, the PRC	No commercial value	100%	Nil

<u>Property</u>	<u>Market Value in existing state as at 31 July 2011</u>	<u>Interest attributable to the Group</u>	<u>Market Value in existing state attributable to the Group as at 31 July 2011</u>
21. A parcel of land located at the Service Area, Zhangzhao Expressway, Jiuzhen Town, Zhangpu Prefecture, Zhangzhou City, Fujian Province, the PRC	No commercial value	100%	Nil
22. A parcel of land located at Zaoding, Xiaruan Ziran Village, Shangdong Village, Pantuo Village, Zhangpu Prefecture, Zhangzhou City, Fujian Province, the PRC	No commercial value	100%	Nil
23. A building located at Tenfu Service Area, Zhangzhao Expressway, Jiuzhen Town, Zhangpu Prefecture, Zhangzhou City, Fujian Province, the PRC	No commercial value	100%	Nil
24. Various properties in various provinces in the PRC	No commercial value	100%	Nil
Sub-total	Nil		Nil
Grand-total	RMB264,730,000 (equivalent to approximately HK\$322,100,000)		RMB264,730,000 (equivalent to approximately HK\$322,100,000)

VALUATION CERTIFICATE

Group I – Property interest held by the Group for self-occupation purpose in the PRC

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
1.	The land and buildings located at Tuanjie Village, Qingzhou County, Jiajiang Prefecture, Leshan City, Sichuan Province, the PRC	The property at present is occupied by the Group for production, office, dormitory and ancillary uses.	RMB41,640,000 (equivalent to approximately HK\$50,660,000)
	The site area and total gross floor area of the property are approximately 18,298.76 sq.m. and 32,556.81 sq.m. respectively.		Interest attributable to the Group 100%
	The land use rights of the property were granted for a term of 50 years expiring on 25 October 2059 for industrial use.		Market Value in existing state attributable to the Group as at 31 July 2011 RMB41,640,000 (equivalent to approximately HK\$50,660,000)

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate (Document No.: Jia Guo Yong (2009) No. 2359), the land use rights of the property with a site area of approximately 18,298.76 sq.m. were granted to Jiajiang Tian Fu Tea Garden Co., Ltd. for a term expiring on 25 October 2059 for industrial use.
2. Pursuant to a State-owned Land Use Rights Grant Contract (Document No.: 1104-2009-25) entered into between the State-owned Land Resources Bureau of Jiajiang Prefecture, Sichuan Province (Party A) and Jiajiang Tian Fu Tea Garden Co., Ltd. (Party B) dated 28 October 2009, the land use rights of the property with a site area of approximately 18,290 sq.m. were granted from Party A to Party B for a term of 40 years commencing on 28 October 2009 for industrial use at a consideration of RMB2,190,000.
3. Pursuant to 33 Building Ownership Certificates (Document Nos.: Jia Fang Quan Zheng Jian Zheng Zi Nos. 0040896 to 0040903, 0042168 to 0042192), the ownership of the building portion of the property with a total gross floor area of approximately 32,556.81 sq.m. is vested in Jiajiang Tian Fu Tea Garden Co., Ltd..
4. According to the information provided by the Group, Jiajiang Tian Fu Tea Garden Co., Ltd. is a limited liability company established in the PRC, which is an indirect wholly-owned subsidiary of the Company.
5. We have been provided with the PRC Legal Opinion on the property prepared by the Group's PRC Legal Advisers, which contains, inter alia, the following information:
 - (a) Jiajiang Tian Fu Tea Garden Co., Ltd. is entitled to occupy the land stated in Note 1, but entitled to transfer, lease and mortgage property in the market subject to the consent of the Mortgagee stated in Note 5(b); and
 - (b) The property is subject to a mortgage in favour of Bank of China Limited (Jiajiang Branch) (the "Mortgagee") dated 10 August 2010.

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and Tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 July 2011</u>
2. The lands and buildings located at Pantuo Village and Guanpo Village, Pantuo Town, Zhangpu Prefecture, Zhangzhou City, Fujian Province, the PRC	<p>The property comprises 4 parcels of land together with 20 single to 4-storey buildings and structures completed in between 1995 and 2002 erected thereon.</p> <p>The total site area and total gross floor area of the property are approximately 76,821.4 sq.m. and 21,215.68 sq.m. respectively.</p> <p>The land use rights of the property were granted for various terms with the latest expiry date on 24 December 2048 for industrial use.</p>	The property at present is occupied by the Group for production, museum, dormitory, office and ancillary uses.	<p>RMB24,750,000 (equivalent to approximately HK\$30,110,000)</p> <p>Interest attributable to the Group</p> <p style="text-align: right;">100%</p> <p>Market Value in existing state attributable to the Group as at 31 July 2011</p> <p>RMB24,750,000 (equivalent to approximately HK\$30,110,000)</p>

Notes:

- Pursuant to 4 State-owned Land Use Rights Certificates (Document Nos.: Pu Guo Yong (2005) No. 08710 and Pu Guo Yong (2011) Nos. 0529 to 0531), the land use rights of the property with a total site area of approximately 76,821.4 sq.m. were granted to Zhangzhou Tianfu Tea Industry Co., Ltd. for various terms with the latest expiry date on 24 December 2048 for industrial use. The particulars are as below:

<u>State-owned Land Use Rights Certificates</u>	<u>Approximate Site Area</u>	<u>Tenure expiry date</u>
<i>(Document Nos.)</i>	<i>(sq.m.)</i>	
Pu Guo Yong (2005) No. 08710.....	15,831	20 September 2043
Pu Guo Yong (2011) No. 0529.....	23,392.4	24 December 2048
Pu Guo Yong (2011) No. 0530.....	22,815	7 October 2047
Pu Guo Yong (2011) No. 0531.....	14,783	20 September 2044
Total	<u>76,821.4</u>	

- Pursuant to 3 Building Ownership Certificates (Document Nos.: Pu Fang Quan Zheng (2005) Zi Nos. 01934 to 01936), the ownership of the property with a total gross floor area of approximately 21,468.61 sq.m. is vested in Zhangzhou Tianfu Tea Industry Co., Ltd..
- According to the information provided by the Group, a building with a gross floor area of approximately 470.93 sq.m. registered under the Building Ownership Certificate (Document No.: Pu Fang Quan Zheng (2005) Zi No. 01936) has been demolished.
- According to the information provided by the Group, two single-storey buildings with a total gross floor area of approximately 218 sq.m. erected thereon without Building Ownership Certificates.

In the course of our valuation, we have ascribed no commercial value to these two buildings due to the absence of the Building Ownership Certificates, hence they are not entitled to be transferred, leased and mortgaged in the market. However, for indicative purpose, the depreciated replacement cost of these two buildings as at the date of valuation is RMB120,000 (equivalent to approximately HK\$150,000) by assuming the relevant title documents were obtained and the buildings are freely transferrable in the market.

- According to the information provided by the Group, Zhangzhou Tianfu Tea Industry Co., Ltd. is a limited liability company established in the PRC, which is an indirect wholly-owned subsidiary of the Company.

6. Portion of the property with a total gross floor area of approximately 4,330.03 sq.m. was leased to Fuzhou Tenfu Tea Sales Co., Ltd. for a term commencing on 10 September 2009 and expiring on 9 September 2012 at an annual rent of RMB360,000 exclusive of other operating outgoings.
7. We have been provided with the PRC Legal Opinion on the property prepared by the Group's PRC Legal Advisers, which contains, inter alia, the following information:
 - (a) Zhangzhou Tianfu Tea Industry Co., Ltd. is entitled to occupy, transfer, lease and mortgage the property (except buildings stated in Note 4);
 - (b) The land parcels of the property stated in Note 1 are subject to a mortgage in favour of Bank of China Limited (Zhangpu Branch) (the "Mortgagee") dated 26 May 2011;
 - (c) The buildings stated in Note 2 of the property together with property no. 7 are subject to a mortgage in favour of Bank of China Limited (Zhangpu Branch) (the "Mortgagee");
 - (d) The tenancy agreement entered into between Zhangzhou Tianfu Tea Industry Co., Ltd. and Fuzhou Tenfu Tea Sales Co., Ltd. is valid and legally effective, but it has not been registered in the relevant government organizations;
 - (e) As advised by the Group, portion of the property with a total gross floor area of approximately 396.47 sq.m. was leased to Sinopec Senmei (Fujian) Co., Ltd. (Zhangzhou Branch) without signed tenancy agreement. Zhangzhou Tianfu Tea Industry Co., Ltd. is entitled to lease the property;
 - (f) The buildings stated in Note 4 are entitled to be occupied but not entitled to be transferred, leased and mortgaged in the market; and
 - (g) The Group has not signed the State-owned Land Grant Contract for the land parcel under State-owned Land Use Rights Certificate (Document No.: Pu Guo Yong (2005) No. 08710) with the relevant government bureau and has not settled the land premium in full. The Group is possible to be requested to sign the State-owned Land Grant Contract and settle the land premium.

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and Tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 July 2011</u>
3. The lands and buildings of Tea Museum located at Pantuo Village and Guanpo Village, Pantuo Town, Zhangpu Prefecture, Zhangzhou City, Fujian Province, the PRC	<p>The property comprises two parcels of land together with two single to 2-storey buildings and structures completed in between 2002 and 2004 erected thereon.</p> <p>The total site area and total gross floor area of the property are approximately 2,584.77 sq.m. and 1,649.54 sq.m. respectively.</p> <p>The land use rights of the property were granted for a term expiring on 19 December 2044 for tourism uses.</p>	The property at present is occupied by the Group for tea museum and ancillary uses.	<p>RMB6,600,000 (equivalent to approximately HK\$8,030,000)</p> <p>Interest attributable to the Group</p> <p>100%</p> <p>Market Value in existing state attributable to the Group as at 31 July 2011</p> <p>RMB6,600,000 (equivalent to approximately HK\$8,030,000)</p>

Notes:

1. Pursuant to two State-owned Land Use Rights Certificates (Document Nos.: Pu Guo Yong (2008) Nos. 12189 and 12190), the land use rights of the property with a total site area of approximately 2,584.77 sq.m. were granted to Zhangzhou Tianfu Tea Industry Co., Ltd. for a term expiring on 19 December 2044 for tourism uses.
2. Pursuant to two Building Ownership Certificates (Document Nos.: Pu Fang Quan Zheng Zhang Pu Zi Nos. 11191 and 11192), the ownership of the building portion of the property with a total gross floor area of approximately 1,649.54 sq.m. is vested in Zhangzhou Tianfu Tea Industry Co., Ltd..
3. According to the information provided by the Group, Zhangzhou Tianfu Tea Industry Co., Ltd. is a limited liability company established in the PRC, which is an indirect wholly-owned subsidiary of the Company.
4. We have been provided with the PRC Legal Opinion on the property prepared by the Group's PRC Legal Advisers, which contains, inter alia, the following information:
 - (a) Zhangzhou Tianfu Tea Industry Co., Ltd. is entitled to occupy, transfer, lease and mortgage the property in the market;
 - (b) The property is free from any mortgages, charges, orders and other legal encumbrances which may cause any adverse effects on the ownership of the property; and
 - (c) The Group has not fully settled the land premium, thus the Group is possible to be forced to settle the outstanding land premium.

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and Tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 July 2011</u>
4. The land and buildings located at Xiangjiaoshan, Shangdong Village, Pantuo Town, Zhangpu Prefecture, Zhangzhou City, Fujian Province, the PRC (adjacent to Property 18)	<p>The property comprises a parcel of land together with eight 2 to 4-storey buildings and structures completed in about 2007 erected thereon.</p> <p>The site area and total gross floor area of the property are 82,095.535 sq.m. and 60,339.15 sq.m. respectively.</p> <p>The land use rights of the property were granted for a term expiring on 5 July 2056 for industrial uses.</p>	The property at present is occupied by the Group for production, storage and ancillary uses.	<p>RMB61,880,000 (equivalent to approximately HK\$75,290,000)</p> <p>Interest attributable to the Group</p> <p>100%</p> <p>Market Value in existing state attributable to the Group as at 31 July 2011</p> <p>RMB61,880,000 (equivalent to approximately HK\$75,290,000)</p>

Notes:

- Pursuant to a State-owned Land Use Rights Certificate (Document No.: Pu Guo Yong (2006) No. 10083), the land use rights of the property with a site area of approximately 82,095.535 sq.m. were granted to Zhangzhou Tianfu Tea Industry Co., Ltd. for a term expiring on 5 July 2056 for industrial uses.
- Pursuant to 7 Building Ownership Certificates (Document Nos.: Pu Fang Quan Zheng Zhang Pu Zi Nos. 11193, 11194, 12132, 12137 to 12139 and 12353), the ownership of the building portion of the property with a total gross floor area of approximately 58,089.15 sq.m. is vested in Zhangzhou Tianfu Tea Industry Co., Ltd..
- According to the information provided by the Group, there is a building with a total gross floor area of approximately 2,250 sq.m. completed in 2007 erected thereon without Building Ownership Certificate.

In the course of our valuation, we have ascribed no commercial value to this building of the property due to the absence of the Building Ownership Certificate, and hence it is not entitled to be transferred, leased and mortgaged in the market. However, for indicative purpose, the depreciated replacement cost of this building as at the date of valuation is RMB1,900,000 (equivalent to approximately HK\$2,310,000) by assuming the Building Ownership Certificate is obtained and this building is transferable in the market.

- Portion of the property with a total gross floor area of approximately 1,300 sq.m. was leased to Zhangpu Tianjian Foods Co., Ltd. for a term commencing on 1 January 2011 and expiring on 31 December 2011.
- According to the information provided by the Group, Zhangzhou Tianfu Tea Industry Co., Ltd. is a limited liability company established in the PRC, which is an indirect wholly-owned subsidiary of the Company.
- We have been provided with the PRC Legal Opinion on the property prepared by the Group's PRC Legal Advisers, which contains, inter alia, the following information:
 - Zhangzhou Tianfu Tea Industry Co., Ltd. is entitled to occupy the land parcel stated in Note 1 and buildings stated in Note 2, but entitled to transfer, lease and mortgage the land parcel stated in Note 1 and buildings stated in Note 2 of the property in the market subject to the consent by the Mortgagee stated in Note 6(c);

- (b) Zhangzhou Tianfu Tea Industry Co., Ltd. is not entitled to occupy, transfer, lease and mortgage the building stated in Note 3 of the property in the market unless the Building Ownership Certificate is obtained;
- (c) The property is subject to a mortgage in favour of Bank of China Limited (Zhangpu Branch) (the “Mortgagee”);
- (d) The tenancy agreement entered into between Zhangzhou Tianfu Tea Industry Co., Ltd. and Zhangpu Tianjian Foods Co., Ltd. is valid and legally effective, but it has not been registered in the relevant government organizations; and
- (e) The Group has not fully settled the land premium, thus the Group is possible to be forced to settle the outstanding land premium.

VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
5. The lands and buildings located at Shangjie Village and Xinfeng Village, Shangjie Town, Minhou Prefecture, Fuzhou City, Fujian Province, the PRC	<p>The property comprises two parcels of land together with ten single to 4-storey buildings and structures completed in between 1994 to 2005 erected thereon.</p> <p>The total site area and total gross floor area of the property are approximately 22,641.9 sq.m. and 16,795.28 sq.m. respectively.</p> <p>The land use rights of the property were allocated for various terms with the latest expiry date on 23 October 2043 for industrial uses.</p>	The property at present is occupied by the Group for production, storage, dormitory and ancillary uses.	No commercial value

Notes:

1. Pursuant to two State-owned Land Use Rights Certificates (Document Nos.: Hou Guo Yong (94) Zi No. 63707 and Hou Guo Yong (1998) Zi No. 142425), the land use rights of the property with a total site area of approximately 22,641.9 sq.m. were allocated to Minhou Tianyuan Tea Products Co., Ltd. for various terms with the latest expiry date on 23 October 2043, the particulars of the land parcels of the property are as below:

State-owned Land Use Rights Certificates	Approximate Site Area	Permitted Use	Tenure expiry date
<i>(Document Nos.)</i>	<i>(sq.m.)</i>		
Hou Guo Yong (94) Zi No. 63707	13,000	Industrial	23 October 2043
Hou Guo Yong (1998) Zi No. 142425	9,641.9	Industrial	not stated
Total	<u><u>22,641.9</u></u>		

2. Pursuant to two Building Ownership Certificates (Document Nos.: Hou Fang Qi Zheng (Ding) Zi Nos. 348 and 544), the ownership of three buildings of the property with a total gross floor area of approximately 13,706.18 sq.m. is vested in Minhou Tianyuan Tea Products Co., Ltd..
3. According to the information provided by the Group, there are 7 buildings with a total gross floor area of approximately 3,089.1 sq.m. erected thereon without Building Ownership Certificates.
4. In the course of our valuation, we have ascribed no commercial value to the property due to the land parcels are allocated in nature, hence it is not entitled to be transferred, leased and mortgaged in the market. However, for indicative purpose, the market value of the property is RMB17,740,000 (equivalent to approximately HK\$21,580,000) by assuming the land parcels of the property are granted land and all buildings have obtained the Building Ownership Certificates, hence they are freely transferable in the market.
5. According to the information provided by the Group, Minhou Tianyuan Tea Products Co., Ltd. is a limited liability company established in the PRC, which is an indirect wholly-owned subsidiary of the Company.
6. We have been provided with the PRC Legal Opinion on the property prepared by the Group's PRC Legal Advisers, which contains, inter alia, the following information:
- Minhou Tianyuan Tea Products Co., Ltd. is entitled to occupy the property but not entitled to transfer, lease and mortgage the property;
 - The property is free from any mortgages, charges, orders and other legal encumbrances which may cause any adverse effects on the ownership of the property; and
 - The property is situated on the resumption boundary of planned University City. If the development of University City commenced, the property would be resumed by the relevant government organizations.

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and Tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 July 2011</u>
6. The lands and buildings located at Dongcuo Village of Jiuzhenzhen East and Xidong Village of Chitu County, Zhangpu Prefecture, Zhangzhou City, Fujian Province, the PRC	<p>The property comprises 8 parcels of land together with 12 single to 4-storey buildings and structures completed in between 2001 to 2006 erected thereon.</p> <p>The total site area and total gross floor area of the property are approximately 30,657.831 sq.m. and 14,264.77 sq.m. respectively.</p> <p>The land use rights of the property were granted for a term expiring on 19 December 2044 for tourism uses.</p>	The property at present is occupied by the Group for office, dormitory and ancillary uses.	<p>RMB27,470,000 (equivalent to approximately HK\$33,420,000)</p> <p>Interest attributable to the Group</p> <p>100%</p> <p>Market Value in existing state attributable to the Group as at 31 July 2011</p> <p>RMB27,470,000 (equivalent to approximately HK\$33,420,000)</p>

Notes:

1. Pursuant to 8 State-owned Land Use Rights Certificates (Document Nos.: Pu Guo Yong (2008) Nos. 12181 to 12188), the land use rights of the property with a total site area of approximately 30,657.831 sq.m. were granted to Zhangpu Tian Fu Tea Garden Co., Ltd. for a term expiring on 19 December 2044 for tourism uses.
2. Pursuant to 8 Building Ownership Certificates (Document Nos.: Pu Fang Quan Zheng Zhang Pu Zi Nos. 05321 to 05325 and 08563 to 08565), the ownership of the building portion of the property with a total gross floor area of approximately 14,264.77 sq.m. is vested in Zhangpu Tian Fu Tea Garden Co., Ltd..
3. According to the information provided by the Group, portion of the property with a total gross floor area of approximately 675 sq.m. is subject to a tenancy for a term commencing on 1 March 2011 and expiring on 31 December 2011.
4. According to the information provided by the Group, Zhangpu Tian Fu Tea Garden Co., Ltd. is a limited liability company established in the PRC, which is an indirect wholly-owned subsidiary of the Company.
5. We have been provided with the PRC Legal Opinion on the property prepared by the Group's PRC Legal Advisers, which contains, inter alia, the following information:
 - (a) Zhangpu Tian Fu Tea Garden Co., Ltd. is entitled to occupy, transfer, lease and mortgage the property in the market;
 - (b) The property is free from any mortgages, charges, orders and other legal encumbrances which may cause any adverse effects on the ownership of the property;
 - (c) The tenancy agreement is valid and legally effective, but the tenancy agreement has not been registered in the relevant government organizations; and
 - (d) The Group has not fully settled the land premium, thus the Group is possible to be forced to settle the outstanding land premium.

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and Tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 July 2011</u>
7. Unit 12A on Level 1, Yihe Building, Taiyi Yuan, Suian Town, Zhangpu Prefecture, Zhangzhou City, Fujian Province, the PRC	<p>The property comprises a retail unit on Level 1 of a 6-storey composite building completed in about 1997.</p> <p>The gross floor area of the property is approximately 55.12 sq.m.</p>	<p>The property is leased by Zhangzhou Tianfu Tea Industry Co., Ltd. to Fuzhou Tian Fu Tea Sales Co., Ltd. for a term commencing on 10 September 2009 and expiring on 9 September 2012 at a monthly rent of RMB5,000.</p> <p>The property is occupied by Fuzhou Tian Fu Tea Sales Co., Ltd. for retail use.</p>	<p>RMB720,000 (equivalent to approximately HK\$880,000)</p> <p>Interest attributable to the Group</p> <p>100%</p> <p>Market Value in existing state attributable to the Group as at 31 July 2011</p> <p>RMB720,000 (equivalent to approximately HK\$880,000)</p>

Notes:

1. Pursuant to a Building Ownership Certificate (Document No.: Pu Fang Quan Zheng (2005) Zi No. 01892), the ownership of the property with a gross floor area of approximately 55.12 sq.m. is vested in Zhangzhou Tianfu Tea Industry Co., Ltd..
2. According to the information provided by the Group, Zhangzhou Tianfu Tea Industry Co., Ltd. is a limited liability company established in the PRC, which is an indirect wholly-owned subsidiary of the Company.
3. We have been provided with the PRC Legal Opinion on the property prepared by the Group's PRC Legal Advisers, which contains, inter alia, the following information:
 - (a) Zhangzhou Tianfu Tea Industry Co., Ltd. is entitled to occupy the property, but entitled to transfer, lease and mortgage the property in the market subject to the consent by the Mortgagee stated in Note 3(b);
 - (b) The property is subject to a mortgage in favour of Bank of China Limited (Zhangpu Branch) (the "Mortgagee"); and
 - (c) The tenancy agreement entered into between Zhangzhou Tianfu Tea Industry Co., Ltd. and Fuzhou Tian Fu Tea Sales Co., Ltd. is valid and legally effective, but it has not been registered in the relevant government organizations.

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and Tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 July 2011</u>
8. Shops S02 and S08, Nos. 172, 174 and 176 Wangfujing Avenue, Dongcheng District, Beijing City, the PRC	<p>The property comprises two adjoining retail units of a 12-storey (exclusive of a 4-storey basement) composite building completed in about 2001.</p> <p>The total gross floor area of the property is approximately 364.3 sq.m.</p> <p>The land use rights of the land parcel where the property situated were granted for a term expiring on 6 July 2048 for composite uses.</p>	<p>The property is leased by Zhangzhou Tianfu Tea Industry Co., Ltd., Beijing Tenfu Tea Co., Ltd. for a term commencing on 1 April 2011 and expiring on 31 March 2012 at a monthly rent of RMB280,000.</p> <p>The property at present is occupied by Beijing Tenfu Tea Co., Ltd. for retail uses.</p>	<p>RMB73,200,000 (equivalent to approximately HK\$89,060,000)</p> <p>Interest attributable to the Group</p> <p>100%</p> <p>Market Value in existing state attributable to the Group as at 31 July 2011</p> <p>RMB73,200,000 (equivalent to approximately HK\$89,060,000)</p>

Notes:

- Pursuant to a State-owned Land Use Rights Certificate (Document No.: Jing Shi Dong She Wai Guo Yong (2005 Chu) No. 2730004), the land use rights of the land parcel where the property situated were granted to Zhangzhou Tianfu Tea Industry Co., Ltd. for a term expiring on 6 July 2048 for composite uses.

Furthermore, as stipulated in the aforesaid State-owned Land Use Rights Certificate, the total gross floor area of the property is 364.3 sq.m.

- Pursuant to a Building Ownership Certificate (Document No.: Jing Fang Quan Zheng Shi Dong She Wai Zi No. 273004), the ownership of the property with a total gross floor area of approximately 364.3 sq.m. is vested in Zhangzhou Tianfu Tea Industry Co., Ltd..
- According to the information provided by the Group, Zhangzhou Tianfu Tea Industry Co., Ltd. is a limited liability company established in the PRC, which is an indirect wholly-owned subsidiary of the Company and Beijing Tenfu Tea Co., Ltd. is a limited liability company established in the PRC, which is an indirect wholly-owned subsidiary of the Company upon Reorganization.
- We have been provided with the PRC Legal Opinion on the property prepared by the Group's PRC Legal Advisers, which contains, inter alia, the following information:
 - Zhangzhou Tianfu Tea Industry Co., Ltd. is entitled to occupy, transfer, lease and mortgage the property in the market;
 - The property is free from any mortgages, charges, orders and other legal encumbrances which may cause any adverse effects on the ownership of the property;
 - The tenancy agreement entered into between Zhangzhou Tianfu Tea Industry Co., Ltd. and Beijing Tenfu Tea Co., Ltd. is valid and legally effective; and
 - The tenancy agreement has not been registered in the relevant government organizations.

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and Tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 July 2011</u>
9. Unit B-136, No. 137 Huayuan Street, Hutang Town, Wujin District, Changzhou City, Jiangsu Province, the PRC	The property comprises a retail unit on levels 1 and 2 of a 5-storey (exclusive of a single-storey basement) commercial building completed in about 2009. The property has a gross floor area of approximately 398.53 sq.m. The land use rights of the property were granted for a term expiring on 6 February 2047 for commercial use.	The property at present is occupied by the Group for retail use.	RMB13,800,000 (equivalent to approximately HK\$16,790,000) Interest attributable to the Group 100% Market Value in existing state attributable to the Group as at 31 July 2011 RMB13,800,000 (equivalent to approximately HK\$16,790,000)

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate (Document No.: Wu Guo Yong (2010) No. 1210037-36), the land use rights of the property were granted to Nanjing Tianfu Tea Sales Co., Ltd. for a term expiring on 6 February 2047 for commercial use.
2. Pursuant to a Building Ownership Certificate (Document No.: Chang Fang Quan Zheng Wu Zi No. 01077547), the ownership of the property with a gross floor area of approximately 398.53 sq.m. is vested in Nanjing Tianfu Tea Sales Co., Ltd..
3. Pursuant to a Sale and Purchase Agreement entered into between Changzhou Wanfangxincheng Real Estate Development Company Limited (Party A) and Nanjing Tianfu Tea Sales Co., Ltd. (Party B) dated 3 August 2010, the property with a gross floor area of approximately 398.53 sq.m. were transferred from Party A to Party B at a consideration of RMB13,500,000.
4. We have been provided with the PRC Legal Opinion on the property prepared by the Group's PRC Legal Advisers, which contains, inter alia, the following assumptions:
 - (a) Nanjing Tianfu Tea Sales Co., Ltd. is entitled to occupy, transfer, lease and mortgaged the property in the market; and
 - (b) The property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the property.

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and Tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 July 2011</u>
10. A shop located at the west of Bank of Communication, Level 1, Xianyang Guomao Building, Weiyang Road Central, Qindu District, Xianyang City, Shaanxi Province, the PRC	<p>The property comprises a retail unit on Level 1 of a 26-storey (excluding of a single-storey basement) building completed in about 2003.</p> <p>The gross floor area of the property is approximately 654.31 sq.m.</p>	The property at present is occupied by the Group for retail use.	No commercial value

Notes:

1. Pursuant to a Sales and Purchases Agreement entered into between Shaanxi Xinxing Real Estate Development Company Limited (Party A) and Shaanxi Tianfu Tea Sales Co., Ltd. (Party B) dated 27 January 2011, the property with a gross floor area of approximately 654.31 sq.m. was transferred from Party A to Party B at a consideration of RMB16,030,595.
2. We have ascribed no commercial value to the property due to the absence of the relevant Building Ownership Certificate, hence the property is not entitled to be transferred, leased and mortgaged in the market. However, for indicative purpose, the market value of the property as at the date of valuation is RMB16,360,000 (equivalent to approximately HK\$19,910,000) by assuming the property has obtained the relevant title documents and is freely transferrable in the market.
3. We have been provided with the PRC Legal Opinion on the property prepared by the Group's PRC Legal Advisers, which contains, inter alia, the following information:
 - (a) the property is not entitled to be transferred, leased and mortgaged in the market; and
 - (b) the property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the property.

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and Tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 July 2011</u>
11. Unit 320, Level 1, Phase I, Block 1, Shijifengjing, No. 55 Sifang Street, Tongjiang Town, Shizhong District, Leshan City, Sichuan Province, the PRC	<p>The property comprises a retail unit on Level 1 of an 18-storey (excluding of a single-storey basement) building completed in about 2010.</p> <p>The gross floor area of the property is approximately 175.94 sq.m.</p>	The property at present is occupied by the Group for retail use.	No commercial value

Notes:

1. Pursuant to a Sales and Purchases Agreement entered into between Sichuan Yongheng Real Estate Development Company Limited (Party A) and Sichuan Tenfu Tea Sales Co., Ltd. (Party B) dated 27 August 2010, the property with a gross floor area of approximately 175.94 sq.m. was transferred from Party A to Party B at a consideration of RMB2,911,850.
2. We have ascribed no commercial value to the property due to the absence of the relevant Building Ownership Certificate, hence the property is not entitled to be transferred, leased and mortgaged in the market. However, for indicative purpose, the market value of the property as at the date of valuation is RMB3,500,000 (equivalent to approximately HK\$4,260,000) by assuming the property has obtained the relevant title documents and is freely transferrable in the market.
3. We have been provided with the PRC Legal Opinion on the property prepared by the Group's PRC Legal Advisers, which contains, inter alia, the following information:
 - (a) the property is not entitled to be transferred, leased and mortgaged in the market; and
 - (b) the property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the property.

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and Tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 July 2011</u>
12. Units 145 and 226, Block 13, Jiangxin International Garden, No. 788 Honggu Middle Avenue, Honggutang New District, Nancheong City, Jiangxi Province, the PRC	<p>The property comprises two retail units on Levels 1 and 2 of a 28-storey composite building completed in about 2007.</p> <p>The total gross floor area of the property is approximately 418.43 sq.m.</p> <p>The land use rights of the property were granted for a term expiring on 2 December 2044 for commercial use.</p>	The property at present is occupied by the Group for retail use.	<p>RMB8,800,000 (equivalent to approximately HK\$10,710,000)</p> <p>Interest attributable to the Group</p> <p>100%</p> <p>Market Value in existing state attributable to the Group as at 31 July 2011</p> <p>RMB8,800,000 (equivalent to approximately HK\$10,710,000)</p>

Notes:

1. Pursuant to two Sales and Purchases Agreements both entered into between Gu Le Yan (Party A) and Jiangxi Tianfu Tea Sales Co., Ltd. (Party B), the property with a total gross floor area of approximately 418.43 sq.m. was transferred from Party A to Party B at a consideration of RMB6,400,000.
2. Pursuant to two State-owned Land Use Rights Certificate (Document Nos.: Hong Tu Guo Yong (Deng Hong 2010) Nos. 1281 and 1282), the land use rights of the property were granted to Jiangxi Tianfu Tea Sales Co., Ltd. for a term expiring on 2 December 2044 for commercial use.
3. Pursuant to two Building Ownership Certificates (Document Nos.: Hong Fang Quan Zheng Hong Gu Tang Xin Qu Zi Nos. 1000450572 and 1000450574), the ownership of the property with a total gross floor area of approximately 418.43 sq.m. is vested in Jiangxi Tianfu Tea Sales Co., Ltd..
4. We have been provided with the PRC Legal Opinion on the property prepared by the Group's PRC Legal Advisers, which contains, inter alia, the following information:
 - (a) the property is entitled to be transferred, leased and mortgaged in the market; and
 - (b) the property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the property.

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and Tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 July 2011</u>
13. Unit 103, Block 1, Yidong Mingshilongcheng, the junction between the west of Bohai 9th Road and the north of Huanghe 5th Road, Bincheng District, Binzhou City, Shandong Province, the PRC	The property comprises a retail unit on Levels 1 of a 12-storey building completed in about 2010. The gross floor area of the property is approximately 312.01 sq.m.	The property at present is occupied by the Group for retail use.	No commercial value

Notes:

1. Pursuant to a Sales and Purchases Agreement entered into between Shandong Yidong Properties Company Limited (Party A) and Jinan Tenfu Tea Co., Ltd. (Party B) dated 8 September 2010, the property with a gross floor area of approximately 312.01 sq.m. was transferred from Party A to Party B at a consideration of RMB3,120,100.
2. We have ascribed no commercial value to the property due to the absence of the relevant Building Ownership Certificate, hence the property is not entitled to be transferred, leased and mortgaged in the market. However, for indicative purpose, the market value of the property as at the date of valuation is RMB4,060,000 (equivalent to approximately HK\$4,940,000) by assuming the property has obtained the relevant title documents and is freely transferrable in the market.
3. We have been provided with the PRC Legal Opinion on the property prepared by the Group's PRC Legal Advisers, which contains, inter alia, the following information:
 - (a) the property is not entitled to be transferred, leased and mortgaged in the market; and
 - (b) the property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the property.

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and Tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 July 2011</u>
14. Units 124 and 125, Block 2, Guoji Garden, Mingzhu Street, Dunhua City, Yanbian Chaoxiang Korean Autonomous Prefecture, Jilin Province, the PRC	<p>The property comprises two retail units on Levels 1 of a 19-storey building (excluding of a single-storey basement) completed in about 2011.</p> <p>The gross floor area of the property is approximately 354.44 sq.m.</p>	The property at present is occupied by the Group for retail use.	No commercial value

Notes:

1. Pursuant to two Sales and Purchases Agreements both entered into between Dunhua Tianli International Investment Properties Company Limited (Party A) and Jilin Province Tianfu Tea Sales Co., Ltd. (Party B) dated 28 October 2010, the property with a gross floor area of approximately 354.44 sq.m. was transferred from Party A to Party B at a consideration of RMB5,101,512.
2. We have ascribed no commercial value to the property due to the absence of the relevant Building Ownership Certificate, hence the property is not entitled to be transferred, leased and mortgaged in the market. However, for indicative purpose, the market value of the property as at the date of valuation is RMB5,300,000 (equivalent to approximately HK\$6,450,000) by assuming the property has obtained the relevant title documents and is freely transferrable in the market.
3. We have been provided with the PRC Legal Opinion on the property prepared by the Group's PRC Legal Advisers, which contains, inter alia, the following information:
 - (a) the property is not entitled to be transferred, leased and mortgaged in the market; and
 - (b) the property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the property.

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and Tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 July 2011</u>
15. Levels 25 to 27 (also known as 29th Floor to 31st Floor) and 25 carparking spaces on basement level 2, Block 3, Xinjing Centre, the junction between the west of Jiaye Road, the east of Huming Road and the north of Hubin Road South, Siming District, Xiamen City, Fujian Province, the PRC	<p>The property comprises the whole on Levels 25 to 27 and 24 carparking spaces on basement level 2 of a 27-storey (excluding of a 2-storey basement) office building completed in about 2011.</p> <p>The total gross floor area of the property is approximately 3,494.43 sq.m. (excluding of the carparking spaces).</p> <p>The land use rights of the property were granted for a term of 50 years expiring on 27 September 2055 for office and carparking uses.</p>	The property was under internal decoration as at the date of valuation.	No commercial value

Notes:

1. Pursuant to 52 Sales and Purchases Agreements all entered into between Xiamen Xinjingdi Group Company Limited (Party A) and Fujian Tian Fu Sales Co., Ltd. (Party B) dated 24 February 2011, the property was transferred from Party A to Party B at a consideration of RMB80,856,905.
2. Pursuant to 52 Real Estate Ownership Certificates issued on 8 August 2011 and 11 August 2011, the ownership of the property with a total gross floor area of approximately 3,494.43 sq.m. is vested in Fujian Tian Fu Sales Co., Ltd..

As stipulated in the aforesaid Real Estate Ownership Certificates, the land use rights of the property were granted to Fujian Tian Fu Sales Co., Ltd. for a term commencing on 27 September 2005 and expiring on 27 September 2055 for office and carparking uses.
3. We have ascribed no commercial value to the property due to the absence of the relevant Building Ownership Certificate as at the date of valuation, hence the property is not entitled to be transferred, leased and mortgaged in the market. However, for indicative purpose, the market value of the property as at the date of valuation is RMB85,400,000 (equivalent to approximately HK\$103,910,000) by assuming the property has obtained the relevant title documents as at the date of valuation and is freely transferrable in the market.
4. Pursuant to 25 Sales and Purchases Agreements, the 25 carparking spaces are 104, 108 to 111, 167, 168, 173, 174, 176 to 182, 188, 189, 192 to 194 and 213 to 216 on basement level 2.
5. We have been provided with the PRC Legal Opinion on the property prepared by the Group's PRC Legal Advisers, which contains, inter alia, the following information:
 - (a) the property is not entitled to be transferred, leased and mortgaged in the market as at the date of valuation. However, the property is entitled to be transferred, leased and mortgaged when it has obtained the relevant Real Estate Ownership Certificates stated in Note 2; and
 - (b) the property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the property.

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and Tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 July 2011</u>
16. Two buildings located at the Service Area, Zhangzhao Expressway, Jiuzhen Town, Zhangpu Prefecture, Zhangzhou City, Fujian Province, the PRC	The property comprises two multi-storey buildings completed in 2000s with a total gross floor area of approximately 2,515 sq.m.	The property at present is occupied for retail and ancillary use. As advised by the Group, the property will be demolished.	No commercial value

Notes:

1. Pursuant to a tenancy agreement entered into between Zhangzhou City Zhangzhao Expressway Company Limited (Party A) and Zhangpu Tian Fu Tea Garden Co., Ltd. (Party B) dated 12 April 2004, the land parcel where the property located with a site area of approximately 84.86 Mu (equivalent to approximately 56,573.62 sq.m.) (Property No. 21) were leased by Party A to Party B for a term commencing on 1 January 2003 and expiring on 31 December 2027 at an annual rent of RMB720,000 for the period from 1 January 2003 to 31 December 2007 and the rental will be reviewed afterwards.
2. According to the information provided by the Group, the property comprises two buildings with a total gross floor area of approximately 2,515 sq.m. without Building Ownership Certificates.
3. In the course of our valuation, we have ascribed no commercial value to the property due to the absence of the Building Ownership Certificates, hence it is not entitled to be transferred, leased and mortgaged in the market. However, for indicative purpose, the depreciated replacement cost of the property as at the date of valuation is RMB2,800,000 (equivalent to approximately HK\$3,410,000) by assuming the property has obtained the Building Ownership Certificate and is freely transferrable in the market.
4. Portion of the property with a total gross floor area of approximately 600 sq.m. is subject to a tenancy commencing on 1 March 2011 and expiring on 31 December 2011.
5. We have been provided with the PRC Legal Opinion on the property prepared by the Group's PRC Legal Advisers, which contains, inter alia, the following information:
 - (a) The property is not entitled to be transferred, leased and mortgaged in the market; and
 - (b) The tenancy agreement entered into between Zhangzhou City Zhangzhao Expressway Company Limited and Zhangpu Tian Fu Tea Garden Co., Ltd. has not complied with the relevant regulations.

VALUATION CERTIFICATE

<u>Property</u>	<u>Description</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 July 2011</u>
17. 12 buildings located at Service Area of Chengle Expressway, Tuanjie Village, Qingzhou County, Jiajiang Prefecture, Leshan City, Sichuan Province, the PRC	The property comprises 12 single-storey building with a total gross floor area of approximately 1,230 sq.m.	The property at present is occupied by the Group for entertainment and ancillary uses.	No commercial value

Notes:

- Pursuant to a tenancy agreement (the "Tenancy Agreement") entered into between the Government of Jiajiang Prefecture (Party A) and Ten Ren Tea and Ginseng Co., Inc. (Party B) dated 26 July 2002, the land parcel where the property situated (Property No. 20) with a site area of approximately 338.2 Mu (225,467.79 sq.m.) (the "Land") was leased from Party A to Party B for a term of 50 years commencing on 1 October 2002 and expiring on 1 October 2052 at an annual rent of RMB88,305.6 for the 1st 20 years and 10% increased during the 21st to 40th years and 10% increased during the 41st to 50th years.
- Pursuant to a supplementary contract (the "Supplementary Contract"), portion of the Land with a site are of approximately 27.448 Mu (18,298.76 sq.m.) was resumed, the site area of the Land after resumption is approximately 310.752 Mu (207,169.03 sq.m.) and the annual rent of the Land was reduced to RMB88,305.6 for the 1st to 20th years.
- According to the information provided by the Group, the property comprises 12 single-storey buildings with a total gross floor area of approximately 1,230 sq.m. without Building Ownership Certificates.
- In the course of our valuation, we have ascribed no commercial value to the property due to the absence of the relevant Building Ownership Certificates, hence it is not entitled to be transferred, leased and mortgaged in the market. However, for indicative purpose, the depreciated replacement cost of the property as at the date of valuation is RMB1,010,000 (equivalent to approximately HK\$1,230,000) by assuming the property has obtained the Building Ownership Certificates and are freely transferrable in the market.
- According to the information provided by the Group, Ten Ren Tea and Ginseng Co., Inc. is the original shareholder of Jiajiang Tian Fu Tea Garden Co., Ltd.
- We have been provided with the PRC Legal Opinion on the property prepared by the Group's PRC Legal Advisers, which contains, inter alia, the following information:

The property has not obtained the Building Ownership Certificates, it is not entitled to be transferred, leased and mortgaged in the market.

VALUATION CERTIFICATE

Group II – Property interest held by the Group for investment purpose in the PRC

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
18.	The land and buildings located at Xiangjiaoshan, Shangdong Village, Pantuo Town, Zhangpu Prefecture, Zhangzhou City, Fujian Province, the PRC (Adjacent to Property 4)	The property comprises a parcel of land together with a two-storey industrial building completed in about 2007. The site area and total gross floor area of the property are approximately 11,531.535 sq.m. and 6,318.65 sq.m. The land use rights of the property were granted for a term of 50 years expiring on 29 November 2056 for industrial use.	The property is leased from Zhangzhou Tianfu Tea Industry Co., Ltd. to Lu Yu Tea Artcraft Co., Ltd. for a term commencing on 1 January 2011 and expiring on 31 December 2011 at an annual rent of RMB300,000 exclusive of management fee and other operating outgoings. The property at present is occupied by the tenant for production, office, showroom and storage uses.
			RMB5,870,000 (equivalent to approximately HK\$7,140,000) Interest attributable to the Group 100% Market Value in existing state attributable to the Group as at 31 July 2011 RMB5,870,000 (equivalent to approximately HK\$7,140,000)

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate (Document No.: Pu Guo Yong (2006) No. 10084), the land use rights where the property situated with a site area of approximately 11,531.535 sq.m. were granted to Zhangzhou Tianfu Tea Industry Co., Ltd. for a term expiring on 29 November 2056 for industrial use.
2. Pursuant to 5 Building Ownership Certificates (Document Nos.: Pu Fang Quan Zheng Zhang Pu Zi Nos. 12133 to 12136 and 12354), the ownership of the property with a total gross floor area of approximately 6,318.65 sq.m. is vested in Zhangzhou Tianfu Tea Industry Co., Ltd..
3. According to the information provided by the Group, Zhangzhou Tianfu Tea Industry Co., Ltd. is a limited liability company established in the PRC, which is an indirect wholly-owned subsidiary of the Company.
4. We have been provided with the PRC Legal Opinion on the property prepared by the Group's PRC Legal Advisers, which contains, inter alia, the following information:
 - (a) Zhangzhou Tianfu Tea Industry Co., Ltd. is entitled to occupy the property, but entitled to transfer, lease and mortgage the property in the market subject to the consent by the Mortgagee stated in Note 5(b);
 - (b) The property is subject to a mortgage in favour of Bank of China Limited (Zhangpu Branch) (the "Mortgagee");
 - (c) The tenancy agreement entered into between Zhangzhou Tianfu Tea Industry Co., Ltd. and Lu Yu Tea Artcraft Co., Ltd. is valid and legally effective, but it has not been registered in the relevant government organizations; and
 - (d) The Group has not fully settled the land premium, thus the Group is possible to be forced to settle the outstanding land premium.

VALUATION CERTIFICATE

Group III – Property interests leased by the Group in the PRC

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
19. The land and buildings located at East and West rest areas of Jiajiang Service Zone, Chengle Expressway, Qingzhou County, Jiajiang Prefecture, Leshan City, Sichuan Province, the PRC	<p>The property comprises a parcel of land together with 13 single to 3-storey buildings completed in about 2001 erected thereon.</p> <p>The site area and the total gross floor area of the property are approximately 31,333.49 sq.m. and 6,811.1 sq.m. respectively.</p>	<p>The property is leased from an independent third party to the Group for a term commencing on 1 October 2002 and expiring on 30 September 2022 at an annual rent of RMB1,000,000 for the period from 1 October 2002 to 30 September 2007, the rental would be increased by 10% for every five years. The rental is exclusive of management fee and other operating outgoings.</p> <p>The property at present is occupied by the Group for composite and ancillary uses.</p>	No commercial value

Notes:

- Pursuant to a tenancy agreement (the “Tenancy Agreement”) entered into between Sichuan Chengle Expressway Company Limited (Party A) and Ten Ren Tea and Ginseng Co., Inc. (Party B) dated 1 August 2002, the property was leased from Party A to Party B for a term commencing on 1 October 2002 and expiring on 30 September 2022 at an annual rent of RMB1,000,000 for the period from 1 October 2002 to 30 September 2007, the rental would be increased by 10% for every five year (the “Rental”).
- Pursuant to a sub-lease agreement (the “Sub-lease Agreement”) entered into between Jiajiang Tian Fu Tea Garden Co., Ltd. (Party C) and China Oil and Gas Holdings Co., Ltd. (Sichuan Leshan Sales Company) (Party D), portion of the property (2 Oil Stations) was sub-leased by Party C to Party D for a term commencing on 1 January 2009 and expiring on 30 September 2022 at a rent equal to 60% of the Rental. As advised by the Group, the Sub-lease Agreement has not obtained the consent from Party A.
- According to the information provided by the Group, Ten Ren Tea and Ginseng Co., Inc. is the original shareholder of Jiajiang Tian Fu Tea Garden Co., Ltd.
- We have been provided with the PRC Legal Opinion on the property prepared by the Group’s PRC Legal Advisers, which contains, inter alia, the following information:
 - Jiajiang Tian Fu Tea Garden Co., Ltd. is not entitled to occupy and sub-leased the property without consent from Sichuan Chengle Expressway Company Limited; and
 - The Sub-lease Agreement is invalid and legally ineffective.

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and Tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 July 2011</u>
20. A parcel of land located at the Service Area of Chengle Expressway, Tuanjie Village, Qingzhou County, Jiajiang Prefecture, Leshan City, Sichuan Province, the PRC	The property comprises a parcel of land with a site area of approximately 310.752 Mu (207,169.03 sq.m.).	<p>The property is leased by an independent third party for a term commencing on 1 October 2002 and expiring on 1 October 2052 at an annual rent of RMB88,305.6 for the 1st to 20th years and 10% increased during the 21st to 40th years and 10% increased during the 41st to 50th years.</p> <p>12 buildings with a total gross floor area of approximately 1,230 sq.m. (Property No. 17) were built on the property and occupied for entertainment and ancillary uses.</p>	No commercial value

Notes:

- Pursuant to a tenancy agreement (the "Tenancy Agreement") entered into between the Government of Jiajiang Prefecture (Party A) and Ten Ren Tea and Ginseng Co., Inc. (Party B) dated 26 July 2002, the property with a site area of approximately 338.2 Mu (225,467.79 sq.m.) was leased from Party A to Party B for a term of 50 years commencing on 1 October 2002 and expiring on 1 October 2052 at an annual rent of RMB88,305.6 for the 1st 20 years and 10% increased during the 21st to 40th years and 10% increased during the 41st to 50th years.
- Pursuant to a supplementary contract (the "Supplementary Contract"), portion of the property with a site area of approximately 27.448 Mu (18,298.76 sq.m.) was resumed, the site area of the property after resumption is approximately 310.752 Mu (207,169.03 sq.m.) and the annual rent of the property was reduced to RMB88,305.6 for the 1st to 20th years.
- According to the information provided by the Group, Ten Ren Tea and Ginseng Co., Inc. is the original shareholder of Jiajiang Tian Fu Tea Garden Co., Ltd.
- We have been provided with the PRC Legal Opinion on the property prepared by the Group's PRC Legal Advisers, which contains, inter alia, the following information:

The Tenancy Agreement stated in Note 1 has not complied with the relevant regulations.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 31 July 2011
21. A parcel of land located at the Service Area, Zhangzhao Expressway, Jiuzhen Town, Zhangpu Prefecture, Zhangzhou City, Fujian Province, the PRC	The property comprises a parcel of land with a site area of approximately 84.86 Mu (equivalent to approximately 56,573.62 sq.m.),	<p>The property is leased by an independent third party to the Group for a term commencing on 1 January 2003 and expiring on 31 December 2027 at an annual rent of RMB720,000 for the period from 1 January 2003 to 31 December 2007 and the rental will be reviewed afterwards.</p> <p>Two buildings with a total gross floor area of approximately 2,515 sq.m. (Property No. 16) were built on the property and occupied for retail and ancillary uses. As advised by the Group, these two buildings will be demolished.</p>	No commercial value

Notes:

- Pursuant to a tenancy agreement entered into between Zhangzhou City Zhangzhao Expressway Company Limited (Party A) and Zhangpu Tian Fu Tea Garden Co., Ltd. (Party B) dated 12 April 2004, the land parcel the property located with a site area of approximately 84.86 Mu (equivalent to approximately 56,573.62 sq.m.) were leased by Party A to Party B for a term commencing on 1 January 2003 and expiring on 31 December 2027 at an annual rent of RMB720,000 for the period from 1 January 2003 to 31 December 2007 and the rental will be reviewed afterwards.
- We have been provided with the PRC Legal Opinion on the property prepared by the Group's PRC Legal Advisers, which contains, inter alia, the following information:

The tenancy agreement entered into between Party A and Party B has not complied with the relevant regulations.

VALUATION CERTIFICATE

<u>Property</u>	<u>Description</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 July 2011</u>
22. A parcel of land located at Zaoding, Xiaruan Ziran Village, Shangdong Village, Pantuo Village, Zhangpu Prefecture, Zhangzhou City, Fujian Province, the PRC	The property comprises a parcel of land with a site area of approximately 45.04 Mu (equivalent to approximately 30,026.82 sq.m.).	The property is leased to the Group by an independent third party for a term commencing on 1 January 2006 and expiring on 1 January 2056 at a total rent of RMB369,560. The property at present was occupied for jasmine cultivation use.	No commercial value

Notes:

- Pursuant to a tenancy agreement entered into between the Villagers of Xiaruan Ziran Village, Shangdong Village, Pantuo Village, Zhangpu Prefecture (Party A) and Zhangzhou Tianfu Tea Industry Co., Ltd. (Party B) dated 1 January 2006, the property with a site area of approximately 45.04 Mu (equivalent to approximately 30,026.82 sq.m.) was leased from Party A to Party B for a term commencing on 1 January 2006 and expiring on 1 January 2056 at a total rent of RMB369,560.
- We have been provided with the PRC Legal Opinion on the property prepared by the Group's PRC Legal Advisers, which contains, inter alia, the following information:

The tenancy agreement entered into between Party A and Party B has not complied with the relevant regulations.

VALUATION CERTIFICATE

<u>Property</u>	<u>Description</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 July 2011</u>
23. A building located at Tenfu Service Area, Zhangzhao Expressway, Jiuzhen Town, Zhangpu Prefecture, Zhangzhou City, Fujian Province, the PRC	The property comprises a 2-storey building completed in about 2008 with a total gross floor area of approximately 7,310.76 sq.m.	The property is leased to the Group by an independent third party for a term commencing on 31 July 2011 and expiring on 30 July 2013 at an annual rent of RMB120,000. The property was occupied by the Group for restaurant use.	No commercial value

Notes:

1. Pursuant to a tenancy agreement (the "Tenancy Agreement") entered into between Zhangzhou Lee Rie Ho Tea Culture Education Foundation (Party A) and Zhangpu Tian Fu Tea Garden Co., Ltd. (Party B), the property was leased from Party A to Party B for a term commencing on 31 July 2011 and expiring on 30 July 2013 at an annual rent of RMB120,000.
2. According to the information provided by the Group, Zhangpu Tian Fu Tea Garden Co., Ltd. is a limited liability company established in the PRC, which is an indirect wholly-owned subsidiary of the Company.
3. We have been provided with the PRC Legal Opinion on the property prepared by the Group's PRC Legal Advisers, which contains, inter alia, the following information:
 - (a) The property was built on a rural collective-owned land and has not obtained the Building Ownership Certificate, hence Zhangzhou Lee Rie Ho Tea Culture Education Foundation is not entitled to lease the property to the Group; and
 - (b) The Tenancy Agreement stated in Note 1 has not complied with the relevant regulations.

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and Tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 July 2011</u>
24. Various properties in various provinces in the PRC	The property comprises 379 properties in various provinces in the PRC with a total gross floor area of approximately 62,711.36 sq.m.	<p>The property is leased to the Group subject to various tenancy agreements with the latest expiry date on 30 September 2028.</p> <p>The property at present is occupied by the Group for retail storage, office and ancillary uses.</p>	No commercial value

Notes:

1. According to the information provided by the Group, twelve properties with a total gross floor area of approximately 3,983.28 sq.m. were leased from connected parties, the rest of the leased properties are leased by independent third parties.
2. We have been provided with the PRC Legal Opinion on the property prepared by the Group's PRC Legal Advisers, which contains, inter alia, the following information:
 - (a) The lessors of 293 properties with a total gross floor area of approximately 54,626.92 sq.m. are entitled to lease these 293 properties to the Group, hence the tenancy agreements of these 293 properties are valid and legally effective; and
 - (b) The tenancy agreements of 177 leased properties with a total gross floor area of approximately 31,489.57 sq.m. are duly registered.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 April 2010 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 17 December 2010. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may

offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear

business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant Share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the

provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an

ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 11 May 2010.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph entitled "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 22 April 2010. We have established a principal place of business in Hong Kong at Room 2210, 22/F, 3 Lockhart Road, Wanchai, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on 24 May 2011. Ms. Mok Ming Wai of 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road, Central, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution comprising the Memorandum of Association and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix V to this prospectus.

2. Change in share capital

Our authorised share capital as at the date of our incorporation was HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each. On 22 April 2010, one subscriber Share was transferred to Mr. Lee Rie-Ho and an aggregate of 999 Shares were allotted and issued as to 44 Shares, 50 Shares, 440 Shares, 400 Shares and 65 Shares to Mr. Lee Rie-Ho, Mr. Lee Shih-Wei, Mr. Lee Chia Ling, Mr. Tsai Shan Jen and Mr. Tseng Ming-Sung, respectively, on 22 April 2010.

On 4 August 2010, pursuant to the resolutions in writing of the shareholders of our Company, the authorised share capital of our Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of an additional 96,200,000 Shares.

On 4 August 2010, as consideration for our acquisition of Ten Rui BVI as part of the Reorganisation, we allotted and issued an aggregate of 47,189,450 Shares to the shareholders of Ten Rui BVI, being Mr. Lee Rie-Ho, Mr. Lee Shih-Wei, Mr. Lee Chia Ling, Mr. Tsai Shan Jen and Mr. Tseng Ming-Sung. In addition, we allotted and issued 100 Shares to Mr. Lee Rie-Ho.

On 4 August 2010, as part of the consideration for our acquisition of Tenfu BVI and as a part of Reorganisation, we allotted and issued an aggregate of 47,189,450 Shares to the shareholders of Tenfu BVI, being Mr. Lee Rie-Ho, Mr. Lee Shih-Wei, Mr. Lee Chia Ling, Mr. Tsai Shan Jen and Mr. Tseng Ming-Sung.

Pursuant to the resolutions in writing of the shareholders of our Company passed on 15 December 2010, the authorised share capital of our Company was increased from HK\$10,000,000 to HK\$800,000,000 by the creation of an additional 7,900,000,000 Shares.

On 20 December 2010, we allotted and issued an aggregate of 7,478,746 Shares to our Financial Investors.

Immediately following completion of the Global Offering and the Capitalisation Issue but not taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$122,720,746 divided into 1,227,207,460 Shares, all fully paid or credited as fully paid and 6,772,792,540 Shares will remain unissued.

Save as disclosed above, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of the shareholders of our Company passed on 17 December 2010

Pursuant to the written resolutions passed by the shareholders of our Company on 17 December 2010, we approved, among other things:

- (a) the Board be authorised to do all such things, take all such actions and sign and execute all such documents as it may deem necessary to implement, give effect to and complete the Listing, including the authority to determine the number of new Shares to be offered and sold by our Company (the “**Offer Shares**”) in the Listing (the “**Global Offering**”), and the issue price for the Offer Shares and the finalising of the terms of all the agreements in relation to or arising from the Global Offering and the execution thereof, and the nomination and the authorisation by the Board of any director or person or the establishment of a committee to do any of the foregoing;
- (b) conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and Shares to be issued pursuant to the Global Offering:
 - (i) the Board be authorised to approve the allotment and issue of the new Shares pursuant to the Global Offering;
 - (ii) the granting of an option (the “**Over-allotment Option**”) by our Company to the global coordinator of the Global Offering pursuant to which our Company will allot and issue up to an additional 15% of the number of Shares under the Global Offering at the Offer Price to cover over-allocation in the Global Offering be approved and the Board be authorised to effect the same and to allot and issue the over-allotment Shares upon the exercise of the Over-allotment Option; and
 - (iii) the rules of the share option scheme of our Company (the “**Share Option Scheme**”) be approved and adopted and the Board be authorised to fix and finalise the terms of the Share Option Scheme and to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme.

4. Resolution passed by the shareholders of our Company at Extraordinary General Meeting held on 31 August 2011

On 31 August 2011, we approved, among other things, that subject to the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, our Directors be authorised, at its absolute discretion in all respects, to capitalise any amount standing to the credit of the share premium account of our Company by applying such sum to pay up in full at par such number of Shares for the allotment and issue to persons whose names appear on the then register of members of our Company (or such persons as they may direct) on a date between the date of this resolution and prior to the listing of the Shares on the Stock Exchange in accordance with their respective shareholding in our Company (as nearly as possible without involving such fractions).

5. Corporate reorganisation

The companies comprising our Group underwent a Reorganisation in preparation from the listing of our Shares on the Stock Exchange. For information relating to the Reorganisation, please see the section headed “History, Reorganisation and Corporate Structure” in this prospectus.

6. Changes in share capital of subsidiaries

Certain information on our subsidiaries is contained in the Accountant’s Report in Appendix I to this prospectus. The following sets out the changes to the share capital made by the subsidiaries of our Company during the two years preceding the date of this prospectus:

- (a) On 16 December 2009, Yantai Tenfu increased its registered capital from RMB500,000 to US\$500,000; and on 30 May 2011, Yantai Tenfu further increased its registered capital from US\$500,000 to US\$1,000,000;
- (b) On 22 December 2009, Tianjin Tenfu increased its registered capital from RMB300,000 to US\$100,000; and on 25 January 2011, Tianjin Tenfu further increased its registered capital from US\$100,000 to US\$500,000;
- (c) On 4 August 2010, Tenfu BVI allotted and issued 100 ordinary shares at par value of US\$1.00 to Mr. Lee Rie-Ho;
- (d) On 4 August 2010, Ten Rui BVI allotted and issued 100 ordinary shares at par value of US\$1.00 to Mr. Lee Rie-Ho;
- (e) On 13 January 2010, 南京天福茗茶銷售有限公司 (Nanjing Tianfu Tea Sales Co., Ltd.) (“Nanjing Tenfu”) increased its registered capital from US\$500,000 to US\$ 600,000 and on 17 January 2011, Nanjing Tenfu further increased its registered capital from US\$600,000 to US\$2,600,000;
- (f) On 18 January 2010, Jinan Tenfu increased its registered capital from RMB500,000 to US\$500,000; and on 18 April 2011, Jinan Tenfu further increased its registered capital from US\$500,000 to US\$1,000,000;
- (g) On 3 February 2010, Beijing Tenfu increased its registered capital from RMB500,000 to US\$1,050,000;
- (h) On 31 January 2011, 吉林省天福茗茶銷售有限公司 (Jilin Province Tianfu Tea Sales Co., Ltd.) increased its registered capital from US\$250,000 to US\$2,250,000;
- (i) On 23 February 2011, 陝西天福茗茶銷售有限公司 (Shaanxi Tianfu Tea Sales Co., Ltd.) increased its registered capital from US\$300,000 to US\$2,300,000;
- (j) On 24 February 2011, 江西天福茗茶銷售有限公司 (Jiangxi Tianfu Tea Sales Co., Ltd.) increased its registered capital from US\$150,000 to US\$1,650,000;
- (k) On 28 February 2011, 河北天福茗茶銷售有限公司 (Hebei Tianfu Tea Sales Co., Ltd.) increased its registered capital from US\$300,000 to US\$500,000;
- (l) On 4 March 2011, 貴州天福茗茶銷售有限公司 (Guizhou Tianfu Tea Sales Co., Ltd.) increased its registered capital from US\$50,000 to US\$500,000;

- (m) On 14 March 2011, Fujian Tenfu Sales increased its registered capital from US\$3,500,000 to US\$8,000,000;
- (n) On 16 March 2011, 湖南天福茗茶銷售有限公司 (Hunan Tianfu Tea Sales Co., Ltd.) increased its registered capital from US\$200,000 to US\$500,000;
- (o) On 29 March 2011, 蘇州天福茗茶銷售有限公司 (Suzhou Tianfu Tea Sales Co., Ltd.) increased its registered capital from US\$300,000 to US\$1,000,000;
- (p) On 12 April 2011, 湖北天福茗茶銷售有限公司 (Hubei Tianfu Tea Sales Co., Ltd.) increased its registered capital from US\$300,000 to US\$500,000;
- (q) On 2 June 2011, 無錫天福茗茶銷售有限公司 (Wuxi Tenfu Tea Co., Ltd.) increased its registered capital from US\$300,000 to US\$1,000,000; and
- (r) On 12 June 2011, 福州天福茗茶銷售有限公司 (Fuzhou Tianfu Tea Sales Co., Ltd.) increased its registered capital from US\$1,000,000 to US\$2,000,000.

Save as set out above, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

7. Repurchase of our Shares

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders, either by way of general mandate or by specific approval of a particular transaction.

(Note: Pursuant to resolution passed by the shareholders of our Company on 17 December 2010, a general unconditional mandate (the “**Buyback Mandate**”) was granted to the Directors authorising the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of the shareholders of our Company in general meeting, whichever is the earliest.)

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and its shareholders for our Directors to have a general authority from shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company or the proceeds of a fresh issue of shares made for the purpose of the purchase or, subject to the Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Companies Law, out of capital.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) *Share capital*

Exercise in full of the Buyback Mandate, on the basis of 1,227,207,460 Shares in issue immediately after the listing of the Shares (but taking no account of Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme), could accordingly result in up to 122,720,746 Shares being repurchased by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or
- (iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of the shareholders in general meeting, whichever occurs first.

(e) *General*

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No connected person (as defined in the Listing Rules) has notified us that he/she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is exercised.

If as a result of a securities repurchase pursuant to the Buyback Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). Accordingly, a shareholder, or a group of shareholders acting in concert, depending on the level of increase of the shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the Global Offering and the Capitalisation Issue but taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or pursuant to the exercise of any options which may be granted under the Share Option Scheme), the total number of Shares will be repurchased pursuant to the Buyback Mandate shall be 122,720,746 Shares (being 10% of the issued share capital of our Company based on the aforesaid assumptions). The percentage shareholding of our Controlling Shareholders will be increased to approximately 51.7% of the issued share capital of our Company immediately following the full exercise of the Buyback Mandate, which will trigger an obligation by the Controlling Shareholders to make a mandatory offer in accordance with Rule 26 of the Code. Our Directors have no present intention to exercise the Buyback Mandate to such an extent that would trigger an obligation by the Controlling Shareholders to make a mandatory offer in accordance with Rule 26 of the Code.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. Our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

8. Business Scopes of the PRC Tea Subsidiaries

Details of the business scopes of each the PRC Tea Subsidiaries as set out in their respective business certificate includes:

Name	Details
Zhangzhou Tenfu . .	Classification and packaging of tea leaves; and manufacture of tea ware, tea snacks, preserved fruits, candies, chocolates, jellies, moon cakes, drinks, products that contain tea, pastries.
Zhangpu Tenfu	Construction and operation of sight seeing tea garden and stone sculpture park and ancillary facilities in Jiuzhen Town.
Minhou Tianyuan . .	Classification and packaging of tea leaves (green tea, scented tea); and packaging of tea substitutes (chrysanthemum, rose, ilex).
Jiajiang Tenfu	Classification and packaging of tea leaves; manufacture of tea snacks, preserved fruits, candies, jellies, moon cakes, drinks, pastries, biscuits, products that contain tea and tea ware; development of tourism; and operation of sight seeing tea house and sale of self-produced products.

B. INFORMATION ABOUT OUR BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) an equity transfer agreement dated 12 October 2009 entered into between Mr. Zou Zhongmou (鄒仲謀) as the transferor and Ten Rui HK as the transferee in respect of the transfer of the entire equity interest in Tianjin Tenfu for a consideration of RMB367,000;
- (b) an equity transfer agreement dated 2 November 2009 entered into between US Tenren as the transferor and Tenfu HK as the transferee in respect of the transfer of the entire equity interest in Minhou Tianyuan for a consideration of US\$3,640,000;
- (c) an equity transfer agreement dated 2 November 2009 entered into between US Tenren as the transferor and Tenfu HK as the transferee in respect of the transfer of the entire equity interest in Zhangzhou Tenfu for a consideration of US\$15,000,000;
- (d) an equity transfer agreement dated 2 November 2009 entered into between US Tenren as the transferor and Tenfu HK as the transferee in respect of the transfer of the entire equity interest in Zhangpu Tenfu for a consideration of US\$12,000,000;

- (e) an instrument of transfer dated 4 August 2010 entered into between Mr. Tsai Shan Jen and Ten Rui BVI in relation to the transfer of 1,000,000 ordinary shares of US\$1.00 each in the share capital of Ten Rui HK from Mr. Tsai Shan Jen to Ten Rui BVI at the consideration of US\$1,100.00 to be satisfied by the allotment and issue of 1,100 ordinary shares at par value of US\$1.00 each of Ten Rui BVI, credited as fully paid, to Mr. Lee Rie-Ho, Mr. Lee Chia Ling, Mr. Tsai Shan Jen, Mr. Tseng Ming-Sung and Mr. Lee Shih-Wei, as directed by Mr. Tsai Shan Jen;
- (f) an instrument of transfer dated 4 August 2010 entered into between Mr. Lee Rie-Ho and our Company in relation to the transfer of 145 ordinary shares of US\$1.00 each in the share capital of Tenfu BVI from Mr. Lee Rie-Ho to our Company at the consideration of HK\$622,042.80 to be satisfied by the allotment and issue of 6,220,428 Shares at par value of HK\$0.10 each of our Company, credited as fully paid, to Mr. Lee Rie-Ho;
- (g) an instrument of transfer dated 4 August 2010 entered into between Mr. Lee Chia-Ling and our Company in relation to the transfer of 440 ordinary shares of US\$1.00 each in the share capital of Tenfu BVI from Mr. Lee Chia-Ling to our Company at the consideration of HK\$1,887,578.00 to be satisfied by the allotment and issue of 18,875,780 Shares at par value of HK\$0.10 each of our Company, credited as fully paid, to Mr. Lee Chia-Ling;
- (h) an instrument of transfer dated 4 August 2010 entered into between Mr. Tsai Shan Jen and our Company in relation to the transfer of 400 ordinary shares of US\$1.00 each in the share capital of Tenfu BVI from Mr. Tsai Shan Jen to our Company at the consideration of HK\$1,715,980.00 to be satisfied by the allotment and issue of 17,159,800 Shares at par value of HK\$0.10 each of our Company, credited as fully paid, to Mr. Tsai Shan Jen;
- (i) an instrument of transfer dated 4 August 2010 entered into between Mr. Tseng Ming-Sung and our Company in relation to the transfer of 65 ordinary shares of US\$1.00 each in the share capital of Tenfu BVI from Mr. Tseng Ming-Sung to our Company at the consideration of HK\$278,846.70 to be satisfied by the allotment and issue of 2,788,467 Shares at par value of HK\$0.10 each of our Company, credited as fully paid, to Mr. Tseng Ming-Sung;
- (j) an instrument of transfer dated 4 August 2010 entered into between Mr. Lee Shih-Wei and our Company in relation to the transfer of 50 ordinary shares of US\$1.00 each in the share capital of Tenfu BVI from Mr. Lee Shih-Wei to our Company at the consideration of HK\$214,497.50 to be satisfied by the allotment and issue of 2,144,975 Shares at par value of HK\$0.10 each of our Company, credited as fully paid, to Mr. Lee Shih-Wei;
- (k) an instrument of transfer dated 4 August 2010 entered into between Mr. Lee Rie-Ho and our Company in relation to the transfer of 290 ordinary shares of US\$1.00 each in the share capital of Ten Rui BVI from Mr. Lee Rie-Ho to our Company at the consideration of HK\$622,042.80 to be satisfied by the allotment and issue of 6,220,428 Shares at par value of HK\$0.10 each of our Company, credited as fully paid, to Mr. Lee Rie-Ho;
- (l) an instrument of transfer dated 4 August 2010 entered into between Mr. Lee Chia-Ling and our Company in relation to the transfer of 880 ordinary shares of US\$1.00 each in the share capital in Ten Rui BVI from Mr. Lee Chia-Ling to our Company at the consideration of HK\$1,887,578.00 to be satisfied by the allotment and issue of 18,875,780 Shares at par value of HK\$0.10 each of our Company, credited as fully paid, to Mr. Lee Chia-Ling;


- (m) an instrument of transfer dated 4 August 2010 entered into between Mr. Tsai Shan Jen and our Company in relation to the transfer of 800 ordinary shares of US\$1.00 in the share capital of Ten Rui BVI from Mr. Tsai Shan Jen to our Company at the consideration of HK\$1,715,980.00 to be satisfied by the allotment and issue of 17,159,800 Shares at par value of HK\$0.10 each of our Company, credited as fully paid, to Mr. Tsai Shan Jen;
- (n) an instrument of transfer dated 4 August 2010 entered into between Mr. Tseng Ming-Sung and our Company in relation to the transfer of 130 ordinary shares of US\$1.00 in the share capital of Ten Rui BVI from Mr. Tseng Ming-Sung to our Company at the consideration of HK\$278,846.70 to be satisfied by the allotment and issue of 2,788,467 Shares at par value of HK\$0.10 each of our Company, credited as fully paid, to Mr. Tseng Ming-Sung;
- (o) an instrument of transfer dated 4 August 2010 entered into between Mr. Lee Shih-Wei and our Company in relation to the transfer of 100 ordinary shares of US\$1.00 in the share capital of Ten Rui BVI from Mr. Lee Shih-Wei to our Company at the consideration of HK\$214,497.50 to be satisfied by the allotment and issue of 2,144,975 Shares at par value of HK\$0.10 each of our Company, credited as fully paid, to Mr. Lee Shih-Wei;
- (p) an equity transfer agreement dated 10 November 2009 entered into between US Tenren as the transferor and Tenfu HK as the transferee in respect of the transfer of the entire equity interest in Jiajiang Tenfu for a consideration of US\$4,000,000;
- (q) an equity transfer agreement dated 10 November 2010 entered into between Ming-Feng (Singapore) Holdings Pte. Ltd. as the transferor and Ten Rui HK as the transferee in respect of the transfer of the entire equity interest in Xiamen Apex for a consideration of RMB16,343,000;
- (r) a share subscription agreement dated 15 December 2010 entered into among our Company, Mr. Lee Rie-Ho, Mr. Lee Chia Ling and the Financial Investors pursuant to which our Company agreed to allot and issue to the Financial Investors, and the Financial Investors agreed to subscribe for, an aggregate of 7,478,746 Shares for an aggregate subscription price of US\$30,000,000.00;
- (s) a memorandum of agreement dated 29 December 2010 entered into among Mr. Lee Rie-Ho, Mr. Lee Chia Ling, Mr. Tsai Shan Jen, Mr. Tseng Ming-Sung and Mr. Lee Shih-Wei (the “Founding Members”), Tenfu HK and our Company to record the arrangement regarding (i) the allotment and issue of 47,189,450 new Shares to the Founding Members to satisfy (1) the consideration for the transfer of the entire issued share capital of Tenfu BVI from the Founding Members to our Company; and (2) the consideration due to the Founding Members for the transfer of the interests in the PRC Tea Subsidiaries (held by US Tenren as nominee) to Tenfu HK and (ii) the release of all obligations and liabilities of Tenfu HK to the Founding Members as a result of the transfer of the PRC Tea Subsidiaries and the release of all obligations of our Company to the Founding Members as a result of the transfer of Tenfu BVI, in consideration of the above-mentioned allotment and issue of 47,189,450 new Shares;
- (t) the Deed of Non-competition date 31 August 2011 entered into between the Covenantors and our Company, the details of which are set out in the section headed “Relationship with Controlling Shareholders”;






- (u) the Deed of Indemnity date 31 August 2011 given by Mr. Lee Rie-Ho, Mr. Lee Chia Ling, Discerning Group Limited, Trackson Investments Limited, Mr. Lee Shih-Wei, Tiger Nature and the Trustee in favour of our Company in respect of, amongst others, taxation, property, licenses and lending transactions referred to in the paragraph headed “D. Other Information – 2. Tax and other indemnities” in this Appendix;
- (v) the Cornerstone Investment Agreement dated 2 September 2011 entered into among our Company, the Joint Global Coordinators and General Atlantic Singapore Fund Pte. Ltd., pursuant to which General Atlantic Singapore Fund Pte. Ltd. agreed to subscribe for 73,017,000 Shares at the Offer Price, representing 35% of the total number of Offer Shares under the Global Offering (before the exercise of the Over-allotment Option, if any);
- (w) the Strategic Alliance Agreement dated 8 September 2011 entered into between our Company and Ten Ren, the details of which are set out in the section entitled “Relationship with Controlling Shareholders” in this prospectus; and
- (x) the Hong Kong Underwriting Agreement, the details of which are set out in the section entitled “Underwriting” in this prospectus.

2. Intellectual property rights of the Group

(a) Trademarks

As at the Latest Practicable Date, we are the registered proprietor and beneficial owner and have obtained the registration certificates of the following trademarks:

Trademark	Registrant	Place of Registration	Registration Number	Validity Period	Class ¹
天福 TENFU	Zhangzhou Tenfu	Signatories to the Madrid Agreement and Protocol	932740	2007.6.18.~ 2017.6.18.	30
天福 TIANFU	Zhangzhou Tenfu	PRC	987429	1997.4.21.~ 2017.4.20.	30
 (註:茗茶不在專用範圍內)	Zhangzhou Tenfu	PRC	1025551	1997.6.7.~ 2017.6.6.	42
天福 TenFu	Zhangzhou Tenfu	PRC	1450596	2000.9.28.~ 2020.9.27.	30

Trademark	Registrant	Place of Registration	Registration Number	Validity Period	Class ¹
天福 TenFu	Zhangzhou Tenfu	PRC	3279139	2005.2.14.~ 2015.2.13.	30
天福 TIANFU	Zhangzhou Tenfu	PRC	3802333	2006.8.21.~ 2016.8.20.	41
 ²	Zhangzhou Tenfu	PRC	3985142	2006.3.7.~ 2016.3.6.	29
 ²	Zhangzhou Tenfu	PRC	3985143	2006.3.7.~ 2016.3.6.	30
赏月	Zhangzhou Tenfu	PRC	4885354	2008.6.14.~ 2018.6.13.	30
	Zhangzhou Tenfu	PRC	1399658	2000.5.21.~ 2020.5.20.	30
	Zhangzhou Tenfu	PRC	1542412	2001.3.21.~ 2021.3.20.	30
	Zhangzhou Tenfu	PRC	1557876	2001.4.21.~ 2021.4.20.	30
瑞园斋	Zhangzhou Tenfu	PRC	6719397	2011.3.7.~ 2021.3.6.	30
天福骏眉	Zhangzhou Tenfu	PRC	8431671	2011.7.14.~ 2021.7.13.	30
天心	Zhangzhou Tenfu	PRC	1445117	2010.9.14.~ 2020.9.13.	30
茶月缘	Zhangzhou Tenfu	PRC	4885355	2008.6.14.~ 2018.6.13.	30
福之月	Zhangzhou Tenfu	PRC	4885356	2008.6.14.~ 2018.6.13.	30
天福詠月	Zhangzhou Tenfu	PRC	4927504	2009.5.14.~ 2019.5.13.	30
天福颂月	Zhangzhou Tenfu	PRC	4927505	2009.5.14.~ 2019.5.13.	30


Trademark	Registrant	Place of Registration	Registration Number	Validity Period	Class ¹
天福大團圓	Zhangzhou Tenfu	PRC	4927506	2010.12.28.~ 2020.12.27.	30
天福皓月	Zhangzhou Tenfu	PRC	4927507	2010.12.28.~ 2020.12.27.	30
品月.	Zhangzhou Tenfu	PRC	4927508	2008.9.14.~ 2018.9.13.	30
天福故鄉月.	Zhangzhou Tenfu	PRC	4927509	2008.9.28.~ 2018.9.27.	30
月明茶香	Zhangzhou Tenfu	PRC	4927510	2008.11.21.~ 2018.11.20.	30
寄月.	Zhangzhou Tenfu	PRC	4927511	2008.11.21.~ 2018.11.20.	30
邀月.	Zhangzhou Tenfu	PRC	4927512	2008.11.21.~ 2018.11.20.	30
望月懷遠	Zhangzhou Tenfu	PRC	4927513	2008.11.21.~ 2018.11.20.	30
灿月.	Zhangzhou Tenfu	PRC	4927518	2008.8.7.~ 2018.8.6.	30
茶香御禮	Zhangzhou Tenfu	PRC	4928926	2008.10.21.~ 2018.10.20.	30
漢唐明月	Zhangzhou Tenfu	PRC	4928927	2008.9.7.~ 2018.9.6.	30
吟月.	Zhangzhou Tenfu	PRC	4928928	2008.9.7.~ 2018.9.6.	30
欣月.	Zhangzhou Tenfu	PRC	4928929	2008.9.7.~ 2018.9.6	30
唐風漢月	Zhangzhou Tenfu	PRC	4928930	2008.8.7.~ 2018.8.6.	30
天福茗月	Zhangzhou Tenfu	PRC	4928932	2008.8.7.~ 2018.8.6	30

Trademark	Registrant	Place of Registration	Registration Number	Validity Period	Class ¹
八宝珍果	Zhangzhou Tenfu	PRC	4928933	2008.8.7. 2018.8.6.	30
菊品	Zhangzhou Tenfu	PRC	4944372	2008.8.14.~ 2018.8.13.	30
蘭品	Zhangzhou Tenfu	PRC	4944375	2008.8.14.~ 2018.8.13.	30
金茗枞	Zhangzhou Tenfu	PRC	5017126	2008.9.21.~ 2018.9.20.	30
天福峨眉翠	Zhangzhou Tenfu	PRC	5205582	2009.3.28.~ 2019.3.27.	30
天賜音緣	Zhangzhou Tenfu	PRC	5209598	2009.5.7.~ 2019.5.6.	30
天元	Zhangzhou Tenfu	PRC	5211661	2009.5.7.~ 2019.5.6.	30
巧叶酥	Zhangzhou Tenfu	PRC	5263137	2009.4.7.~ 2019.4.6.	30
	Zhangzhou Tenfu	PRC	5295213	2009.7.28.~ 2019.7.27.	41
	Zhangzhou Tenfu	PRC	5295299	2009.4.14.~ 2019.4.13.	30
天美仕 ³	Zhangzhou Tenfu	PRC	5391010	2009.5.14.~ 2019.5.13.	30
悠然天地中	Zhangzhou Tenfu	PRC	5571777	2009.9.7.~ 2019.9.6.	30
鲜天下	Zhangzhou Tenfu	PRC	5571793	2009.10.14.~ 2019.10.13.	30
韵天下	Zhangzhou Tenfu	PRC	5571794	2009.10.14~ .2019.10.13.	30
皇天下	Zhangzhou Tenfu	PRC	5571795	2009.7.7.~ 2019.7.6.	30

Trademark	Registrant	Place of Registration	Registration Number	Validity Period	Class ¹
观天下	Zhangzhou Tenfu	PRC	5571796	2009.7.7.~ 2019.7.6.	30
葉興號	Zhangzhou Tenfu	PRC	5884061	2010.9.21.~ 2020.9.20.	30
月来月好	Zhangzhou Tenfu	PRC	6095761	2009.8.21.~ 2019.8.20.	29
	Zhangzhou Tenfu	PRC	6166939	2010.1.14.~ 2020.1.13	30
风清月茗	Zhangzhou Tenfu	PRC	6187229	2010.3.28.~ 2020.3.27.	30
茶好月圆	Zhangzhou Tenfu	PRC	6187230	2010.1.21.~ 2020.1.20.	30
圆月好茶	Zhangzhou Tenfu	PRC	6187256	2010.9.21.~ 2020.9.20.	30
雪绿幽香	Zhangzhou Tenfu	PRC	6223050	2010.6.14.~ 2020.6.13.	30
风华一品	Zhangzhou Tenfu	PRC	6315845	2010.4.28.~ 2020.4.27.	30
天福福之韵	Zhangzhou Tenfu	PRC	6315848	2010.2.21.~ 2020.2.20.	30
天福天之香	Zhangzhou Tenfu	PRC	6315849	2010.2.21.~ 2020.2.20.	30
步步糕升	Zhangzhou Tenfu	PRC	6335573	2010.7.7.~ 2020.7.6.	30
奶提茶点	Zhangzhou Tenfu	PRC	6335576	2010.2.21.~ 2020.2.20.	30
天福兰贵人	Zhangzhou Tenfu	PRC	6433998	2010.3.21.~ 2020.3.20.	30
峨嵋竹露	Zhangzhou Tenfu	PRC	6545710	2010.3.28.~ 2020.3.27.	30

Trademark	Registrant	Place of Registration	Registration Number	Validity Period	Class ¹
天福初恋茶.	Zhangzhou Tenfu	PRC	6714547	2010.4.7.~ 2020.4.6.	30
百岁金芽.	Zhangzhou Tenfu	PRC	6719372	2010.7.14.~ 2020.7.13.	30
天福天之峰.	Zhangzhou Tenfu	PRC	6719373	2010.4.7.~ 2020.4.6.	30
天福天之韵.	Zhangzhou Tenfu	PRC	6719392	2010.4.7.~ 2020.4.6.	30
天福忆江南.	Zhangzhou Tenfu	PRC	6719393	2010.4.7.~ 2020.4.6.	30
天福西湖春.	Zhangzhou Tenfu	PRC	6719394	2010.4.7.~ 2020.4.6.	30
天福钟爱一生.	Zhangzhou Tenfu	PRC	6719395	2010.4.7.~ 2020.4.6.	30
福缘轩.	Zhangzhou Tenfu	PRC	6719396	2010.6.14.~ 2020.6.13.	30
静园轩.	Zhangzhou Tenfu	PRC	6719398	2010.4.7.~ 2020.4.6.	30
天福一见钟情.	Zhangzhou Tenfu	PRC	6719400	2010.4.7.~ 2020.4.6.	30
古树蕴春.	Zhangzhou Tenfu	PRC	6719401	2010.4.7.~ 2020.4.6.	30
天福.	Zhangzhou Tenfu	PRC	6721878	2010.9.28.~ 2020.9.27.	30
颂月.	Zhangzhou Tenfu	PRC	6753069	2010.4.14.~ 2020.4.13.	30
天福黑玄武; TieSalon TieKuanYin Black. . . .	Zhangzhou Tenfu	PRC	6892978	2010.9.28.~ 2020.9.27.	30
天福黄麒麟; TieSalon TieKuanYin Yellow. . . .	Zhangzhou Tenfu	PRC	6892979	2010.9.28.~ 2020.9.27.	30

Trademark	Registrant	Place of Registration	Registration Number	Validity Period	Class ¹
天福红朱雀; TieSalon TieKuanYin Red	Zhangzhou Tenfu	PRC	6892980	2010.9.28.~ 2020.9.27.	30
天福铁观音; TenFu's TieSalon	Zhangzhou Tenfu	PRC	6892981	2010.7.7.~ 2020.7.6.	30
TenFu's TieSalon	Zhangzhou Tenfu	PRC	6892983	2010.6.28.~ 2020.6.27.	30
福	Zhangzhou Tenfu	PRC	7133345	2010.9.7.~ 2020.9.6.	43
茗门花魁	Zhangzhou Tenfu	PRC	7154536	2010.9.14.~ 2020.9.13.	30
金族世家	Zhangzhou Tenfu	PRC	7154537	2010.11.28.~ 2020.11.27.	30
风华再现	Zhangzhou Tenfu	PRC	7154538	2010.10.7.~ 2020.10.6.	30
鑫鑽世家	Zhangzhou Tenfu	PRC	7154541	2010.7.14.~ 2020.7.13.	30
天福佳茗	Zhangzhou Tenfu	PRC	7154543	2010.7.14.~ 2020.7.13.	21
凤茗春	Zhangzhou Tenfu	PRC	7830032	2010.12.21.~ 2020.12.20.	30
温心	Zhangzhou Tenfu	PRC	7830039	2010.12.21.~ 2020.12.20.	30
T.Te.Tea 湖茶去	Minhou Tianyuan	PRC	3125178	2003.10.14.~ 2013.10.13.	43
筠翠	Minhou Tianyuan	PRC	4142739	2006.9.14.~ 2016.9.13.	30
梅剑	Jiajiang Tenfu	PRC	4655707	2008.2.28.~ 2018.2.27.	30
巴翠	Jiajiang Tenfu	PRC	4764427	2008.3.28.~ 2018.3.27.	30

Trademark	Registrant	Place of Registration	Registration Number	Validity Period	Class ¹
	Zhangzhou Tenfu	PRC	6187227	2011.2.28.~ 2021.2.27	43
	Zhangzhou Tenfu	PRC	6187228	2011.2.28.~ 2021.2.27	43
铁	Zhangzhou Tenfu	PRC	6892982	2011.3.14.~ 2021.3.13	30
静园轩	Zhangzhou Tenfu	PRC	8112064	2011.3.21.~ 2021.3.20	21
瑞园斋	Zhangzhou Tenfu	PRC	8112072	2011.3.21.~ 2021.3.20	21

Notes:

- | Class | Specification of Goods/Services in the PRC |
|-------|--|
| 21 | relates to household or kitchen containers; tableware (excluding knives, forks and spoons); porcelain decorations; combs; cosmetic utensils; heat insulated food containers; thermos flasks; crystals (glassware); powdered glass for decoration; toughened glass; household aquarium. |
| 29 | relates to pork products; sausages; caviar; dried fish; fruit pulp; peanut butter; soup; frozen fruit; egg; soy milk. |
| 30 | relates to tea, tea beverages; ice tea; sugar; candy; honey; dried bread; biscuit; egg cake; glutinous rice balls. |
| 41 | relates to education; providing of training; entertainment; sporting and cultural activities. |
| 42 | relates to scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software. |
| 43 | relates to services for providing food and drink; temporary accommodation. |
- The Uncle Lee trademarks have been licensed to Xiamen Apex since 2006.
- A trademark transfer agreement dated 31 March 2011 has been entered into between Zhangzhou Tenfu and 天福天美仕(廈門)生物科技有限公司 at RMB8,570, Application for transfer for the trademark under such agreement has been submitted to the Trademark Office of the State Administration for Industry and Commerce of the PRC for approval and registration, we will cease to be the registered proprietor and beneficial owner of the “天美仕” trademark after such approval and registration.

As of the Latest Practicable Date, we have filed application and received notice acceptance for the following trademarks:

Trademark	Applicant	Place of Registration	Application Number	Date of Application	Class ⁴
韵天香	Zhangzhou Tenfu	PRC	5209599	2006.3.13.	30
福；天福；TenFu	Zhangzhou Tenfu	PRC	5233367	2006.3.23.	30
风雅论古今.	Zhangzhou Tenfu	PRC	6209048	2007.8.8.	30
天福青龙; TieSalon TieKuanYin Blue	Zhangzhou Tenfu	PRC	6892976	2008.8.12.	30
天福白鹤; TieSalon TieKuanYin White.	Zhangzhou Tenfu	PRC	6892977	2008.8.12.	30
福缘轩	Zhangzhou Tenfu	PRC	7154542	2009.1.8.	21
天福.	Zhangzhou Tenfu	PRC	7939186	2009.12.23.	11
天福.	Zhangzhou Tenfu	PRC	8475751	2010.7.13.	21
天福长寿福满堂	Zhangzhou Tenfu	PRC	9588024	2011.6.13	30
天福留香涤烦尘	Zhangzhou Tenfu	PRC	9588130	2011.6.13	30
天福麦香红茶	Zhangzhou Tenfu	PRC	9681179	2011.7.5	30
姑婆	Zhangzhou Tenfu	PRC	9681264	2011.7.5	29
Coolkoi酷酷鱼	Zhangzhou Tenfu	PRC	9691004	2011.7.7	3
Coolkoi酷酷鱼	Zhangzhou Tenfu	PRC	9691096	2011.7.7	14
Coolkoi酷酷鱼	Zhangzhou Tenfu	PRC	9691161	2011.7.7	18
Coolkoi酷酷鱼	Zhangzhou Tenfu	PRC	9691246	2011.7.7	21
Coolkoi酷酷鱼	Zhangzhou Tenfu	PRC	9691299	2011.7.7	24
Coolkoi酷酷鱼	Zhangzhou Tenfu	PRC	9691331	2011.7.7	25
Coolkoi酷酷鱼	Zhangzhou Tenfu	PRC	9691373	2011.7.7	26
袍香沁天地	Zhangzhou Tenfu	PRC	9609189	2011.6.17	30

Trademark	Applicant	Place of Registration	Application Number	Date of Application	Class ⁴
天福飘雪	Zhangzhou Tenfu	PRC	9609256	2011.6.17	30
天福茗茶；福；TenFu's TEA	Zhangzhou Tenfu	PRC	8579423	2010.8.16.	30
茶香李	Zhangzhou Tenfu	PRC	8595292	2010.8.20.	29
剑香.	Zhangzhou Tenfu	PRC	8595310	2010.8.20.	29
天福李家	Zhangzhou Tenfu	PRC	8598964	2010.8.23.	30
	Zhangzhou Tenfu	PRC	8598982	2010.8.23.	30
剑豪.	Zhangzhou Tenfu	PRC	8599023	2010.8.23.	30
天福茗茶；福；TenFu's TEA	Zhangzhou Tenfu	PRC	8599043	2010.8.23.	21
云翠螺	Zhangzhou Tenfu	PRC	8700170	2010.10.15	30
天福云翠螺	Zhangzhou Tenfu	PRC	8700171	2010.10.15	30
天心天峰	Zhangzhou Tenfu	PRC	8861662	2010.11.19	30
天福天心	Zhangzhou Tenfu	PRC	8861666	2010.11.19	32
天福碧潭飘雪	Zhangzhou Tenfu	PRC	9609229	2011.6.17	30
天福玉露飘香	Zhangzhou Tenfu	PRC	9609269	2011.6.17	30
天福雪花	Zhangzhou Tenfu	PRC	9733965	2011.7.18	30
天福飞雪	Zhangzhou Tenfu	PRC	9733949	2011.7.18	30
天福蜀山雪飘	Zhangzhou Tenfu	PRC	9733929	2011.7.18	30
天福蜀山雪花	Zhangzhou Tenfu	PRC	9733914	2011.7.18	30
天福蜀山瑞雪	Zhangzhou Tenfu	PRC	9733904	2011.7.18	30
天福乐山雪飘	Zhangzhou Tenfu	PRC	9733881	2011.7.18	30
天福乐山瑞雪	Zhangzhou Tenfu	PRC	9733862	2011.7.18	30
天福碧山雪花	Zhangzhou Tenfu	PRC	9733831	2011.7.18	30

Trademark	Applicant	Place of Registration	Application Number	Date of Application	Class ⁴
舒活	Zhangzhou Tenfu	PRC	9792388	2011.8.5	30
天福天心	Zhangzhou Tenfu	PRC	8901975	2010.12.1	32
天福天心	Zhangzhou Tenfu	PRC	8901976	2010.12.1	30
天福天心	Zhangzhou Tenfu	PRC	8901977	2010.12.1	30
天心天峰	Zhangzhou Tenfu	PRC	8901978	2010.12.1	32
天心	Zhangzhou Tenfu	PRC	8959065	2010.12.17	32
天心	Zhangzhou Tenfu	PRC	8959066	2010.12.17	30
天福窑	Zhangzhou Tenfu	PRC	8971075	2010.12.20	21
茶和天下	Zhangzhou Tenfu	PRC	9025222	2011.1.5	21
天心天峰	Zhangzhou Tenfu	PRC	9041079	2011.1.11	32
天心天峰	Zhangzhou Tenfu	PRC	9041080	2011.1.11	30
天心	Zhangzhou Tenfu	PRC	9041119	2011.1.11	30
天心	Zhangzhou Tenfu	PRC	9041120	2011.1.11	32
千家香	Zhangzhou Tenfu	PRC	9158819	2011.2.28	30
天福；福；TenFu's	Zhangzhou Tenfu	PRC	9158874	2011.2.28	32
喜田	Zhangzhou Tenfu	PRC	9158904	2011.2.28	31
喜田	Zhangzhou Tenfu	PRC	9158926	2011.2.28	39
天心	Zhangzhou Tenfu	PRC	9225124	2011.3.17	30
天心	Zhangzhou Tenfu	PRC	9225150	2011.3.17	32

Note:

4.	Class	Specification of Goods/Services in the PRC
21		relates to household or kitchen containers; tableware (excluding knives, forks and spoons); porcelain decorations; combs; cosmetic utensils; heat insulated food containers; thermos flasks; crystals (glassware); powdered glass for decoration; toughened glass; household aquarium.
29		relates to pork products; sausages; caviar; dried fish; fruit pulp; peanut butter; soup; frozen fruit; egg; soy milk.
30		relates to tea, tea beverages; ice tea; sugar; candy; honey; dried bread; biscuit; egg cake; glutinous rice balls.
31		relates to oat; sesame; beans (unprocessed); nuts (fruits); fresh fruits; fresh edible fungus; lemons; oranges; unprocessed cereal seeds; seaweeds consumed by humans or animals.
32		relates to beer; non-alcoholic fruit juice; mineral water; fruit tea (non-alcoholic); peanut milk (non- alcoholic); fruit drink(non-alcoholic); coke; mung bean beverage; soy milk beverage; beverage ingredients.
39		relates to transportation; packaging and storage of goods; travel arrangement.
43		relates to services for providing food and drink; temporary accommodation.

As of the Latest Practicable Date, we are in the process of acquiring the following trademark:

Trademark	Registrant	Place of Registration	Registration Number	Validity Period	Class
丹峰 ⁵	Xiamen Tenfu Tea Industry Co., Ltd.	PRC	3680766	2005.2.28.~ 2015.2.27.	30

Note:

5. A trademark transfer agreement dated 28 April 2010 has been entered into between Xiamen Tenfu Tea Industry Co., Ltd. (“**Xiamen Tenfu**”) and Xiamen Apex pursuant to which Xiamen Tenfu has agreed to transfer the “丹峰” trademark to Xiamen Apex. Xiamen Tenfu and Xiamen Apex have applied to the Trademark Office of the State Administration for Industry and Commerce of the PRC for approval and registration of the transfer of the “丹峰” trademark under Xiamen Apex. We will become the registered proprietor and beneficial owner of the “丹峰” trademark after such approval and registration.

(b) Patents

As at the Latest Practicable Date, we are the registered proprietor and beneficial owner of the following patents:

<u>Title of Patent</u>	<u>Registration Number</u>	<u>Place of Registration</u>	<u>Validity Period</u>	<u>Name of Registrant</u>
月饼	ZL200730140168.3	PRC	2007.8.21.~ 2017.8.20.	Zhangzhou Tenfu
标贴 (大团圆) .	ZL200530166464.1	PRC	2005.12.1.~ 2015.11.30.	Zhangzhou Tenfu
包装盒 (茶香御礼) . .	ZL200730141005.7	PRC	2007.11.7.~ 2017.11.6.	Zhangzhou Tenfu
包装盒 (汉唐明月) . .	ZL200730141006.1	PRC	2007.11.7.~ 2017.11.6.	Zhangzhou Tenfu
包装盒提手 . . .	ZL200730141007.6	PRC	2007.11.7.~ 2017.11.6.	Zhangzhou Tenfu
绿茶锭糖果 . . .	ZL200730141643.9	PRC	2007.12.27.~ 2017.12.26.	Zhangzhou Tenfu
包装袋 (绿茶巧果) . .	ZL200630024988.1	PRC	2006.3.24.~ 2016.3.23.	Zhangzhou Tenfu
包装盒	ZL200830110699.2	PRC	2008.3.21.~ 2018.3.20.	Zhangzhou Tenfu
雕像 (孔明公仔) . .	ZL200830112110.2	PRC	2008.7.24.~ 2018.7.23.	Zhangzhou Tenfu
巧叶酥	ZL200830112109.X	PRC	2008.7.24.~ 2018.7.23.	Zhangzhou Tenfu
巧克力	ZL200830110701.6	PRC	2008.3.21.~ 2018.3.20.	Zhangzhou Tenfu
包装盒 (绿茶巧 克力)	ZL200830110700.1	PRC	2008.3.21.~ 2018.3.20.	Zhangzhou Tenfu
包装盒 (翠玉酥糖) . .	ZL200930172142.6	PRC	2009.6.2.~ 2019.6.1.	Zhangzhou Tenfu

<u>Title of Patent</u>	<u>Registration Number</u>	<u>Place of Registration</u>	<u>Validity Period</u>	<u>Name of Registrant</u>
包装盒 (翠玉酥糖-提盒) . . .	ZL200930172141.1	PRC	2009.6.2.~ 2019.6.1.	Zhangzhou Tenfu
摆设 (天壺) .	ZL201030260325.6	PRC	2010.8.4.~ 2020.8.3.	Zhangzhou Tenfu
茶叶罐 (悠然) . . .	ZL201030246201.2	PRC	2010.7.21.~ 2020.7.20.	Zhangzhou Tenfu
茶叶罐 (温心) . . .	ZL201030246205.0	PRC	2010.7.21.~ 2020.7.20.	Zhangzhou Tenfu
茶具 (水仙) .	ZL201030280044.7	PRC	2010.8.19.~ 2020.8.18.	Zhangzhou Tenfu
茶具 (水韵) .	ZL201030280034.3	PRC	2010.8.19.~ 2020.8.18.	Zhangzhou Tenfu
包装盒 (故乡月) .	ZL201030550495.8	PRC	2010.10.11.~ 2021.10.10.	Zhangzhou Tenfu
工艺品 (五路财神)	ZL201030595700.2	PRC	2010.11.1.~ 2020.10.31.	Zhangzhou Tenfu
月饼铁盒	ZL201030550503.9	PRC	2010.10.11 ~ 2020.10.10	Zhangzhou Tenfu

As at the Latest Practicable Date, we have filed application for the following patent:

<u>Title of Patent</u>	<u>Application Number</u>	<u>Application Date</u>	<u>Applicant</u>
包装盒 (茶香粽)	201130193187.9	2011.6.22	Zhangzhou Tenfu
包装盒 (長壽福滿堂) .	201130228216.0	2011.7.13	Zhangzhou Tenfu
包装盒 (留香滌凡塵) .	201130228151.X	2011.7.13	Zhangzhou Tenfu

(c) Domain Name

As at the Latest Practicable Date, we are a registered proprietor of the following domain name(s):

<u>Domain Name</u>	<u>Proprietor</u>	<u>Place of Registration</u>	<u>Expiry Date</u>
chagarden.cn	Minhou Tianyuan	PRC	2012.7.3.
chagarden.com.cn	Minhou Tianyuan	PRC	2012.7.3.
chastation.com	Minhou Tianyuan	PRC	2012.7.3.
lu-yu.com	Minhou Tianyuan	PRC	2015.9.25.
tenforestarea.com	Minhou Tianyuan	PRC	2011.8.15.
tenfu.com	Fujian Tenfu Sales	PRC	2016.8.22.

(d) Internet Key Words

As at the Latest Practicable Date, we own registrations of the following Internet keywords in the PRC:

<u>Internet Keyword</u>	<u>Proprietor</u>	<u>Place of Registration</u>	<u>Date of Registration</u>	<u>Date of Expiry</u>
天福茗茶 (通用網址 – provided under the services of CNNIC) .	Minhou Tianyuan	PRC	2006.1.28.	2017.1.28.
天福 (通用網址 – provided under the services of CNNIC) .	Minhou Tianyuan	PRC	2005.8.31.	2015.8.31.

C. FURTHER INFORMATION ABOUT DIRECTORS, AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Disclosure of interest – interests and short positions of the Directors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following completion of the Global Offering and the Capitalisation Issue and assuming that the Over-allotment Option or the Share Option Scheme have not been exercised, the interest or short position of Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies, once the Shares are listed are as follows.

(i) *Interest in our Company*

Name of Director	Nature of Interest	Number of Shares held	Approximate percentage of shareholding
Mr. Lee Rie-Ho ⁽¹⁾ . .	Interest in a controlled corporation	188,760,000	15.38%
Mr. Lee Shih-Wei . .	Personal Interest/ individual	4,719,000	0.38%
Mr. Lee Chia Ling ⁽²⁾	Settlor of The KCL Trust	377,520,000	30.76%
Mr. Tseng Ming- Sung	Personal Interest/ individual	4,719,000	0.38%
Mr. Lee Min-Zun . .	Personal Interest/ individual	1,000,000	0.08%

Notes:

- (1) Discerning Group Limited is wholly-owned by Mr. Lee Rie-Ho. Mr. Lee Rie-Ho is deemed to be interested in the Shares held by Discerning Group Limited for the purpose of the SFO. Mr. Tsai Li-Li is the wife of Mr. Lee Rie-Ho and is deemed to be interested in the Shares in which Mr. Lee Rie-Ho is deemed or taken to be interested for the purpose of the SFO.

- (2) The entire issued share capital of Trackson Investments Limited is held by Tiger Nature which is in turn ultimately held by the Trustee (through two nominee companies) as the trustee of The KCL Trust. The KCL Trust is a discretionary trust established by Mr. Lee Chia Ling as settlor and the Trustee as trustee on 12 April 2011. The beneficiaries of The KCL Trust include family members of Mr. Lee Chia Ling. Mr. Lee Chia Ling is deemed to be interested in 377,520,000 Shares held by The KCL Trust, Tiger Nature and Trackson Investments Limited immediately upon completion of the Global Offering pursuant to Part XV of the SFO. Ms. Zhou Nan Nan is the spouse of Mr. Lee Chia Ling and is deemed to be interested in all the Shares of Mr. Lee Chia Ling by virtue of the SFO.

(ii) *Interest in associated corporations*

None of our Directors or chief executives has any interests or short positions in the Shares, underlying Shares and debentures of any associated corporations of our Company.

(b) *Particulars of service contracts*

Each of the executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

(c) *Directors' remuneration*

Each of the executive Directors is entitled to a director's fee. Each executive Director shall be paid a remuneration on the basis of twelve months in a year. The current annual director's fees and remuneration of the executive Directors for the year ended 31 December 2010 (excluding any discretionary bonus which may be paid to our executive Directors) are as follows:

Name	Annual Director's Fee	Annual Director's Remuneration
	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Lee Rie-Ho.	Nil	2,723
Mr. Lee Chia Ling	Nil	3,820
Mr. Lee Kuo-Lin.	Nil	1,449
Mr. Lee Shih-Wei	Nil	2,288
Mr. Lee Min-Zun	Nil	160

The independent non-executive Directors have been appointed for a term of three years. We intend to pay a director's fee of HK\$300,000 per annum to each of our independent non-executive Directors, respectively.

Under the arrangement currently in force, the aggregate amount of emoluments payable by our Group to the Directors for the year ending 31 December 2011 will be approximately HK\$662,500 (excluding any discretionary bonus which may be payable to our executive Directors).

Further details of the terms of the above service contracts are set out in the paragraph entitled "Particulars of service contracts" in the subsection entitled "Directors" in this Appendix.

2. Substantial Shareholders

So far as the Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue (but without taking into account the Shares to be issued pursuant to the exercise of the Over-allotment Option or any Shares that may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme), the following persons (other than the Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

Name	Capacity in which interests are held	Number of shares	Percentage of shareholding (%)
Mr. Lee Rie-Ho ⁽¹⁾	Interest in a controlled corporation	188,760,000	15.38
Discerning Group Limited ⁽¹⁾	Beneficial interest	188,760,000	15.38
Ms. Tsai Li-Li ⁽¹⁾	Interest in spouse	188,760,000	15.38
Trustee ⁽²⁾⁽³⁾	Trustee	377,520,000	30.76
Mr. Lee Chia Ling ⁽²⁾	Settlor of The KCL Trust	377,520,000	30.76
Trackson Investments Limited ⁽²⁾	Registered owner	377,520,000	30.76
Tiger Nature ⁽²⁾	Interest in a controlled corporation	377,520,000	30.76
The KCL Trust ⁽²⁾	Interest in a controlled corporation	377,520,000	30.76
Mr. Lee John L ⁽²⁾	Beneficiary of The KCL Trust	377,520,000	30.76
Ms. Zhou Nan Nan ⁽²⁾	Interest in spouse	377,520,000	30.76
General Atlantic Singapore Fund Pte. Ltd. ⁽⁴⁾	Registered owner	73,017,000	5.95
General Atlantic Singapore Fund Interholdco Ltd. ⁽⁴⁾	Interest in a controlled corporation	73,017,000	5.95
General Atlantic Partners (Bermuda) II, L.P. ⁽⁴⁾	Interest in a controlled corporation	73,017,000	5.95
General Atlantic GenPar (Bermuda), L.P. ⁽⁴⁾	Interest in a controlled corporation	73,017,000	5.95
GAP (Bermuda) Limited ⁽⁴⁾	Interest in a controlled corporation	73,017,000	5.95

Notes:

- (1) Discerning Group Limited is wholly-owned by Mr. Lee Rie-Ho, Mr. Lee Rie-Ho is deemed to be interested in the Shares held by Discerning Group Limited for the purpose of the SFO. Mr. Tsai Li-Li is the wife of Mr. Lee Rie-Ho and is deemed to be interested in the Shares in which Mr. Lee Rie-Ho is deemed or taken to be interested for the purpose of the SFO.
- (2) The entire issued share capital of Trackson Investments Limited is held by Tiger Nature which is in turn ultimately held by the Trustee (through two nominee companies) as the trustee of The KCL Trust. The KCL Trust is a discretionary trust established by Mr. Lee Chia Ling as settlor and the Trustee as trustee on 12 April 2011. The beneficiaries of The KCL Trust include family members of Mr. Lee Chia Ling. Mr. Lee Chia Ling is deemed to be interested in 377,520,000 Shares held by The KCL Trust, Tiger Nature and Trackson Investments Limited immediately upon completion of the Global Offering pursuant to Part XV of the SFO. Ms. Zhou Nan Nan is the spouse of Mr. Lee Chia Ling and is deemed to be interested in all the Shares of Mr. Lee Chia Ling by virtue of the SFO.
- (3) As the Trustee is the trustee of The KCL Trust, it is deemed to be interested in 377,520,000 Shares held by The KCL Trust.
- (4) General Atlantic Singapore Fund Pte. Ltd. is managed and controlled on day-to-day basis by its board of directors comprised solely of Abhay Havaladar and Nicholas Nash, both of whom are residents of Singapore and investment professionals who work on a full-time basis in Singapore. The sole shareholder of General Atlantic Singapore Fund Pte. Ltd. is General Atlantic Singapore Fund Interholdco Ltd. (“GA Interholdco”) and the controlling shareholder of GA Interholdco is General Atlantic Partners (Bermuda) II, L.P. (“GAP LP”). The general partner of GAP LP is General Atlantic GenPar (Bermuda), L.P. (“GA GenPar”) and the general partner of GA GenPar is GAP (Bermuda) Limited.

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

4. Disclaimers

Save as disclosed herein:

- (a) none of our Directors or chief executives of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;
- (b) none of our Directors or experts referred to under the heading “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (f) none of the experts referred to under the heading “Consents of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 17 December 2010.

(a) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below to:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

- (ii) any directors (including independent non-executive directors) of our Company or any of its subsidiaries; and
- (iii) any advisers, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) Acceptance of an offer of Options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an Option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the Exercise Price for the Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the Grantee certificates in respect of the Shares so allotted.

(d) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering (but taking no account of any Shares which may be allotted or issued pursuant to the exercise of the Over-allotment Option), excluding for this purpose Shares which would have been

issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to the shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:

- (aa) the Eligible Participant's name, address and occupation;
- (bb) the date on which an Option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
- (cc) the date upon which an offer for an Option must be accepted;
- (dd) the date upon which an Option is deemed to be granted and accepted in accordance with paragraph (c);
- (ee) the number of Shares in respect of which the Option is offered;
- (ff) the subscription price and the manner of payment of such price for the Shares on and in consequence of the exercise of the Option;
- (gg) the date of the notice given by the grantee in respect of the exercise of the Option; and
- (hh) the method of acceptance of the Option which shall, unless the Board otherwise determines, be as set out in paragraph (c).

(f) *Price of Shares*

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(g) *Granting options to connected persons*

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by our Company and the approval of the shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to the shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(h) Restrictions on the times of grant of Options

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the Listing Rules)

and ending on the date of actual publication of the results announcement, and where an option is granted to a Director:

- (iii) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Rights are personal to grantee

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of Option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(k) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(m) Rights on dismissal

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of the Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, or has been convicted of any criminal offense involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(n) Rights on takeover

If a general offer is made to all the shareholders (or all such shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company or the approval independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrations and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an Option is entitled to subscribe pursuant to the Options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;

- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offense involving his or her integrity or honesty, or in relation to an employee of the Group (if so determined by the Board), or has been insolvent, bankrupt or has made compositions with his/her creditors generally or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are canceled in accordance with paragraph (u) below.

(t) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by the shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules, the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time. Any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by shareholders in general meeting.

(u) Cancellation of Options

Subject to paragraph (i) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any Option is cancelled pursuant to paragraph (m).

(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) Condition of the Share Option Scheme

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;
- (iii) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within two calendar months from the Adoption Date:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) Present status of the Share Option Scheme

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 122,720,746 Shares in total.

2. Tax and other indemnities

Mr. Lee Rie-Ho, Mr. Lee Chia Ling, Discerning Group Limited, Trackson Investments Limited, Mr. Lee Shih-Wei, Tiger Nature and the Trustee have entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in paragraph (u) of the sub-section entitled “Summary of material contracts” in this Appendix) to provide indemnities on a several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any property claim to which any member of our Group may be subject and payable on or before the date when the Global Offering becomes unconditional.

3. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

4. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Stock Exchange for a listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme.

5. Preliminary expenses

The estimated preliminary expenses incurred or to be incurred by our Company are approximately HK\$78,156 and are payable by our Company.

6. Promoter

Our Company has no promoter for the purposes of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

7. Taxation of holders of Shares**(a) Hong Kong**

The sale, purchase and transfer of Shares registered with our Company’s Hong Kong register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of the PRC or Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

8. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Credit Suisse (Hong Kong) Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO, acting as one of the Joint Sponsors of the Global Offering
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, acting as one of the Joint Sponsors of the Global Offering
Polaris Securities (Hong Kong) limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 3 (leveraged foreign exchange trading), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, acting as one of the Joint Sponsors of the Global Offering
Jingtian & Gongcheng	Qualified PRC lawyers
PricewaterhouseCoopers	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Vigers Appraisal & Consulting Limited	Professional valuer
Lee and Li, Attorneys-at-law	Taiwan legal advisers

9. Consents of experts

Each of the experts named in paragraph 8 of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

10. Interests of experts in our Company

None of the persons named in paragraph 8 of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

12. Miscellaneous

- (a) Within the two years immediately preceding the date of this prospectus:
 - (i) save as disclosed in the section entitled “History, Reorganisation and Corporate Structure” in this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) save as disclosed in the paragraph headed “D. Other Information – 1. Share Option Scheme” in this section, no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) save as disclosed in the section entitled “Underwriting” in this prospectus, no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (iv) save as disclosed in the section entitled “Underwriting” in this prospectus, no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2011 (being the date to which the latest audited consolidated financial statements of our Group were made up);
- (d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

- (e) the principal register of members of our Company will be maintained in the Cayman Islands by Butterfield Fulcrum Group (Cayman) Limited and a Hong Kong register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;
- (f) no company within our Group is presently listed on any stock exchange or traded on any trading system; and
- (g) our Directors have been advised that, under the Companies Law, the use of a Chinese name by our Company does not contravene the Companies Law.

13. Exemption

As our Group is in compliance with paragraph 3(b) of Practice Note 16 of the Listing Rules and section 6 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, the full details of the individual leased properties under operating lease have been excluded from the valuation certificates in the property valuation report in Appendix IV to this prospectus, of which a summary is included in the Summary of Valuation and the certificates for leased properties.

14. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of the **WHITE, YELLOW** and **GREEN** application forms;
- (b) the written consents referred to in the section entitled “Statutory and General Information – D. Other Information” in Appendix VI to this prospectus; and
- (c) copies of the material contracts referred to in the section entitled “Statutory and General Information – B. Information about our Business” in Appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Sidley Austin, Level 39, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) our Memorandum and Articles of Association;
- (b) the Accountant’s Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the report received from PricewaterhouseCoopers relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (d) the letters relating to the profit forecast from PricewaterhouseCoopers and the Joint Sponsors, the texts of which are set out in Appendix III to this prospectus;
- (e) the letter, summary of valuation and valuation certificate relating to our property interests prepared by Vigers Appraisal & Consulting Limited, the texts of which are set out in Appendix IV to this prospectus;
- (f) the full valuation report relating to our property interests prepared by Vigers Appraisal & Consulting Limited in full compliance with paragraph 34(2) of Part II of the Third Schedule of the Companies Ordinance;
- (g) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands Company Law as referred to in Appendix V to this prospectus;
- (h) the Cayman Islands Companies Law;
- (i) our Share Option Scheme;
- (j) the PRC legal opinion(s) dated this prospectus date issued by Jingtian & Gongcheng Attorneys at Law, our legal advisers on the PRC law;
- (k) the Taiwan legal opinion issued by Lee and Li, Attorneys-at-law, our legal advisers on Taiwan law;

- (l) the material contracts referred to in the section entitled “Statutory and General Information – B. Information about our Business – 1. Summary of Material Contracts” in Appendix VI to this prospectus;
- (m) the service contracts referred to in the section entitled “Statutory and General Information – C. Further Information about Directors and Substantial Shareholders – 1. Directors – (b) Particulars of Service Contracts” in Appendix VI to this prospectus; and
- (n) the written consents referred to in the section entitled “Statutory and General Information – D. Other Information – 9. Consents of Experts” in Appendix VI to this prospectus.